

Fish Thomas E
Form 4
February 24, 2011

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Fish Thomas E

2. Issuer Name and Ticker or Trading Symbol
Mueller Water Products, Inc.
[MWA]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction
(Month/Day/Year)
02/22/2011

____ Director
 Officer (give title below)
____ 10% Owner
____ Other (specify below)
President, Anvil

MUELLER WATER PRODUCTS, INC., 1200 ABERNATHY RD., SUITE 1200

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

ATLANTA, GA 30328

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) | Price | | |
| | | | | Code | V | Amount | |
| Series A Common Stock | 02/22/2011 | | J | D | 2,641 (1) | \$ 3.95 | 262,095.52 (2) D |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474
(9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|--|
| | | | | Code V (A) (D) | | Date Exercisable Expiration Date | Title Amount or Number of Shares | | |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Fish Thomas E MUELLER WATER PRODUCTS, INC. 1200 ABERNATHY RD., SUITE 1200 ATLANTA, GA 30328 | | | President, Anvil | |

Signatures

/s/ Robert Barker, 02/23/2011
attorney-in-fact

__Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Shares were withheld to cover the tax liability on the lapse of the restrictions on restricted stock units.
- (2) Total has been adjusted to reflect correction of prior mathematical error.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

I.R.S. Identification Nos. of above persons (entities only)

Michael & Susan Dell Foundation
2.

Check the Appropriate Box if a Member of a Group (See Instructions)
(a) (b)

3.

SEC Use Only

4.

Citizenship or Place of Organization

{Texas}

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person
With:

5.

Sole Voting Power

0

6.

Shared Voting Power

1,475,266

7.

Sole Dispositive Power

0

8.

Shared Dispositive Power

1,475,266

9.

Aggregate Amount Beneficially Owned by Each Reporting Person

1,475,266

10.

Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

Inapplicable

11.

Explanation of Responses:

Percent of Class Represented by Amount in Row (9)

7.1%⁽¹⁾

12.

Type of Reporting Person (See Instructions)

OO

* SEE INSTRUCTIONS BEFORE FILLING OUT.

The percentage used herein and in the rest of this Schedule 13G are calculated based upon 20,817,702 shares of the 1. Issuer's Common Stock outstanding as of October 24, 2017 as reported in the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on October 25, 2017

CUSIP NO. 043436104 13G

- | | |
|---|---|
| | Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only) |
| 1. | Michael S. Dell |
| | Check the Appropriate Box if a Member of a Group (See Instructions) |
| 2. | (a) (b) |
| 3. | SEC Use Only |
| | Citizenship or Place of Organization |
| 4. | United States |
| | Sole Voting Power |
| 5. | |
| Number of Shares Beneficially Owned by Each Reporting Person With: | 0 Shared Voting Power |
| 6. | 1,475,266 |
| | Sole Dispositive Power |
| 7. | |
| | 0 Shared Dispositive Power |
| 8. | 1,475,266 |
| 9. | Aggregate Amount Beneficially Owned by Each Reporting Person |

Explanation of Responses:

- 1,475,266
 Check if the Aggregate Amount
 in Row (9) Excludes Certain
 Shares (See Instructions)
- 10.
- Inapplicable
 Percent of Class Represented by
 Amount in Row (9)
- 11.
- 7.1%⁽¹⁾
 Type of Reporting Person (See
 Instructions)
- 12.
- IN
- Names of Reporting Persons.
 I.R.S. Identification Nos. of
 above persons (entities only)
- 1.
- Susan Dell
 Check the Appropriate Box if a
 Member of a Group (See
 Instructions)
- 2.
- (a) (b)
3. SEC Use Only
- Citizenship or Place of
 Organization
- 4.
- United States
 Sole Voting Power
- 5.
- Number of
 Shares Beneficially
 Owned by
 Each
 Reporting
 Person
 With:
- 0
 Shared Voting Power
- 6.
- 1,475,266
 Sole Dispositive Power
- 7.
- 0
 Shared Dispositive Power
- 8.
- 1,475,266
 Aggregate Amount Beneficially
 Owned by Each Reporting Person
- 9.
- 1,475,266
 Check if the Aggregate Amount
 in Row (9) Excludes Certain
 Shares (See Instructions)
- 10.

Explanation of Responses:

11. Inapplicable
Percent of Class Represented by
Amount in Row (9)

12. 7.1%⁽¹⁾
Type of Reporting Person (See
Instructions)

IN

* SEE INSTRUCTIONS BEFORE FILLING OUT.

Item
1(a) Name of Issuer:

The name of the issuer is Asbury Automotive Group Inc. (the "Company").

Item
1(b) Address of Issuer's Principal Executive Offices:

The Company's principal executive office is located at 2905
Premiere Parkway NW, Suite 300, Duluth, GA 30097

Item
2(a) Name of Person Filing:

This Schedule 13G is being jointly filed by and on behalf of each of the Michael & Susan Dell Foundation (the "Foundation"), Michael S. Dell and Susan Dell. The Foundation, Michael S. Dell and Susan Dell are collectively referred to herein as the "Reporting Persons." The Foundation is the record and direct beneficial owner of the securities covered by this statement. Michael S. Dell is the President and Director of, and may be deemed to beneficially own securities owned by, the Foundation. Susan Dell is the First Vice President and Director of, and may be deemed to beneficially own securities owned by, the Foundation.

On December 4, 2017, MSD SBI, L.P. distributed all of the shares (the "Shares") it held of the Issuer's common stock to Michael S. Dell and other representatives of MSD Capital, L.P in a private transaction. MSD SBI, L.P. did not sell any Shares in the open market on that date. Following that transaction, on December 5, 2017, Michael S. Dell gifted 1,475,266 Shares to the Foundation.

The Reporting Persons have entered into a Joint Filing Agreement, dated December 7, 2017, a copy of which is filed with this Schedule 13G as Exhibit 99.1, pursuant to which the

Explanation of Responses:

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Reporting Persons have agreed to file this statement jointly in accordance with the provisions of Rule 13d-1(k)(1) under the Act.

Neither the filing of this statement nor anything herein shall be construed as an admission that any person other than the Reporting Persons is, for the purposes of Section 13(d) or 13(g) of the Act or any other purpose, the beneficial owner of any securities covered by this statement.

Item
(b) Address of Principal Business Office or, if none, Residence:

The principal business address of the Foundation PO Box 163867 Austin, TX 78716. The principal business office of Michael S. Dell and Susan Dell is c/o MSD Capital, L.P., 645 Fifth Avenue, 21st Floor, New York, NY 10022

Item
(c) Citizenship:

The Foundation is organized as a non-profit corporation in the state of Texas. Michael S. Dell is a United States citizen.

Item
(d) Title of Class of Securities:

Common Stock

Item
(e) CUSIP No.:

043436104

Item
(f) if this statement is filed pursuant to Rules 13d-1(b), or 13d-2(b), check whether the person filing is a:

Not applicable.

Item
(g) Ownership:

A. Michael & Susan Dell Foundation

(A) Amount beneficially owned: 1,475,266

(B) Percent of class: 7.1%₂

Explanation of Responses:

~~(D)~~Number of shares as to which such person has:

~~(S)~~ole power to vote or direct the vote: -0-

~~(S)~~hared power to vote or direct the vote: 1,475,266

~~(S)~~ole power to dispose or direct the disposition: -0-

~~(S)~~hared power to dispose or direct the disposition: 1,475,266

B. Michael S. Dell

~~(A)~~mount beneficially owned: 1,475,266

~~(P)~~ercent of class: 7.1%₂

~~(D)~~Number of shares as to which such person has:

~~(S)~~ole power to vote or direct the vote: -0-

~~(S)~~hared power to vote or direct the vote: 1,475,266

~~(S)~~ole power to dispose or direct the disposition: -0-

~~(S)~~hared power to dispose or direct the disposition: 1,475,266

C. Susan Dell

(a) Amount beneficially owned: 1,475,266

(b) Percent of class: 7.1%₂

(c) Number of shares as to which such person has:

(i) Sole power to vote or direct the vote: -0-

(ii) Shared power to vote or direct the vote: 1,475,266

(iii) Sole power to dispose or direct the disposition: -0-

(iv) Shared power to dispose or direct the disposition: 1,475,266

The percentage used herein and in the rest of this Schedule 13G are calculated based upon 20,817,702 shares of the Issuer's Common Stock outstanding as of October 24, 2017 as reported in the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on October 25, 2017

Ownership of Five Percent or Less of a Class:

Explanation of Responses:

Item
5

If this statement is being filed to report the fact that as of the date hereof each of the Reporting Persons has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [].

Item
6 Ownership of More Than Five Percent on Behalf of Another Person:

Not applicable.

Item
7 Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person:

Not applicable.

Item
8 Identification and Classification of Members of the Group:

Not applicable.

Item
9 Notice of Dissolution of Group:

Not applicable.

Item
10 Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as participant in any transaction having that purpose or effect, other than activities solely in connection with a nomination under § 240.14a-11.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: December 7, 2017

Michael & Susan Dell Foundation

By: /s/ Michael S. Dell
Name: Michael S. Dell
Title: President and Director

Michael S. Dell

By: /s/ Michael S. Dell
Name: Michael S. Dell

Susan Dell

By: /s/ Susan Dell
Name: Susan Dell

EXHIBIT INDEX

Exhibit Description of Exhibit

99.1 Joint Filing Agreement dated December 7, 2017.

Exhibit 99.1

AGREEMENT REGARDING THE JOINT FILING OF SCHEDULE 13G

The undersigned hereby agree as follows:

- (i) Each of them is individually eligible to use the Schedule 13G to which this Exhibit is attached, and such Schedule 13G is filed on behalf of each of them; and
- (ii) Each of them is responsible for the timely filing of such Schedule 13G and any amendments thereto, and for the completeness and accuracy of the information concerning such person contained therein; but none of them is responsible for the completeness or accuracy of the information concerning the other persons making the filing, unless such person knows or has reason to believe that such information is inaccurate.

Date: December 7, 2017

Michael & Susan Dell Foundation

By: /s/ Michael S. Dell
Name: Michael S. Dell
Title: President and Director

Michael S. Dell

By: /s/ Michael S. Dell
Name: Michael S. Dell

Susan Dell

By: /s/ Susan Dell
Name: Susan Dell

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Our accounting personnel who are primarily responsible for the preparation and supervision of the preparation of our financial statements under generally accepted accounting principles in the U.S., or U.S. GAAP, have limited relevant education and training in U.S. GAAP and SEC rules and regulations pertaining to financial reporting, which could impact our ability to prepare our financial statements and convert our books and records to U.S. GAAP.

Our manufacturing operations are in China and we have historically maintained our books and records in accordance with generally accepted accounting principles in the PRC, or PRC GAAP. Our accounting personnel in the PRC who have the primary responsibilities of preparing and supervising the preparation of financial statements under U.S. GAAP have limited relevant education and training in U.S. GAAP and related SEC rules and regulations. As such, they may be unable to identify potential accounting and disclosure issues that may arise upon the conversion of our books and records from PRC GAAP to U.S. GAAP, which could affect our ability to prepare our financial statements in accordance with U.S. GAAP. We have taken steps to ensure that our financial statements are in accordance with

Explanation of Responses:

U.S. GAAP, including our hiring of a U.S. accounting firm to work with our PRC accounting personnel and management to convert our books and records to U.S. GAAP and prepare our financial statements. In addition, our annual financial statements are audited by an independent auditor for compliance with U.S. GAAP and to ensure that all necessary and appropriate adjustments from PRC GAAP to U.S. GAAP have been made. However, the measures we have taken may not be sufficient to mitigate the foregoing risks associated with the limited education and training of our accounting personnel in U.S. GAAP and related SEC rules and regulations.

We are a holding company that depends on cash flow from our wholly owned subsidiaries to meet our obligations.

After our acquisition of Creative Bellows, we became a holding company with no material assets other than the ownership interests of our two wholly owned subsidiaries in China, Creative Bellows and Creative Wind Power, itself a wholly owned subsidiary of Creative Bellows. Accordingly, Creative Bellows and Creative Wind Power conduct all of our operations. We rely on dividends paid by our subsidiaries for our cash needs, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. China has currency and capital transfer regulations that require us to comply with complex regulations for the movement of capital. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. We also are required to set aside at least 10% of our net income after taxes based on China's accounting standards each year to statutory surplus reserves until the cumulative amount of such reserves reaches 50% of registered capital. These reserves are not distributable as cash dividends. Our subsidiaries also may allocate a portion of their after-tax profits to their staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation. In addition, if our subsidiaries incur debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Accordingly, if our subsidiaries are unable to pay us dividends and make other payments to us when needed because of regulatory restrictions or otherwise, we may be materially and adversely limited in our ability to make investments or acquisitions that could be beneficial to our business, pay dividends or otherwise fund and conduct our business.

All of Creative Bellows' liabilities survived its acquisition by us, and there may be undisclosed liabilities that could have a negative impact on our financial condition.

Before our acquisition of Creative Bellows, certain due diligence activities on our company and Creative Bellows were performed by us, our auditors and our attorneys. The due diligence process may not have revealed all liabilities (actual or contingent) of our company and Creative Bellows that existed or which may arise in the future relating to activities before the consummation of our acquisition of Creative Bellows. Notwithstanding that all of our pre-closing liabilities were transferred to the seller pursuant to the terms of the Share Exchange Agreement, it is possible that claims for such liabilities may still be made against us, which we will be required to defend or otherwise resolve. The transfer of pre-closing liabilities pursuant to the Share Exchange Agreement may not be sufficient to protect us from claims and liabilities, and any breaches of related representations and warranties. Any liabilities remaining from pre-closing activities could harm our financial condition and results of operations.

We pledged one of our manufacturing plants as collateral for its construction cost, and if we do not make payments under its construction agreement, we can be removed from the plant, causing significant disruption to our business.

One of our manufacturing plants in Tieling, Liaoning Province, China was built pursuant to a construction agreement entered into with the local government authority, the Administration Committee for Liaoning Special Vehicle Production Base, or LSVPB, on September 21, 2009. Under the terms of the construction agreement, LSVPB was responsible for the construction of the plant and we pledged the plant as collateral for our payment to LSVPB of \$1,849,684 (RMB 12,249,900) in plant construction costs over five equal annual installment payments. We started using the completed plant in August 2010. LSVPB has the right to foreclose on the plant in the event that our payments are in arrears for more than two years. In the event that we fail to make the annual installment payments in a timely manner and LSVPB forecloses on the plant, and we are unable to relocate immediately to comparable facilities,

our manufacturing process will be significantly disrupted, and our business, financial condition and results of operations will be adversely affected.

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Risks Related to Business in China

Inflation in China could negatively affect our profitability and growth.

The rapid growth of China's economy has been uneven among economic sectors and geographic regions of the country and has been fueled over the last three years by a large amount of debt issuances. China's economy grew at an annual rate of 10.3% in 2010, as measured by the year-over-year change in Gross Domestic Product, or GDP, according to the National Bureau of Statistics of China, or the NBS. Rapid economic growth and less restrictive monetary policies can lead to growth in the money supply and rising inflation. According to the NBS, the annual inflation rate in China, as measured by the year-over-year change in consumer price index, was 6.4% in June 2011, according to the NBS. If prices for our products fail to rise at a rate sufficient to compensate for the increased costs of supplies, such as raw materials, due to inflation, it may have an adverse effect on our profitability.

In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets, restrictions on state bank lending and raised reserve requirements for banks. In addition, the People's Bank of China, or the PBOC, which is the central bank of the PRC, has effected several increases in interest rates in response to inflationary concerns in China's economy. The implementation of such policies may further impede future economic growth. If the PBOC continues to raise interest rates, economic activity in China could further slow and, in turn, materially increase our costs and reduce demand for our products and services.

China's economic policies could affect our business.

All of our assets are located in China and all of our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are subject to the economic, political and legal developments in China. While China's economy has experienced significant growth in the past 20 years, such growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may have a negative effect on us. For example, operating results and financial condition may be adversely affected by the government control over capital investments or changes in tax regulations. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces for economic reform and the reduction of state ownership of productive assets, and the establishment of corporate governance in business enterprises; however, a substantial portion of productive assets in China are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over China's economic growth through the allocation of resources, the control of payment of foreign currency-denominated obligations, the setting of monetary policy and the provision of preferential treatment to particular industries or companies. Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of clean energy investments and expenditures in China, which in turn could lead to reduced demand for our products and consequently have a material adverse effect on our business.

We may have difficulty establishing adequate management, legal and financial controls in China.

Historically, China has not adopted an international style of management or financial reporting concepts and practices, nor modern banking, computer and other control systems. We may have difficulty in hiring and retaining a sufficient number of qualified employees to work in China. As a result of these factors, we may experience difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet international standards.

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If relations between the United States and China worsen, investors may be unwilling to hold or buy our stock and our stock price may decrease.

At various times during recent years, the United States and China have had significant disagreements over political and economic issues. Controversies may arise in the future between these two countries. Any political or trade controversies between the United States and China, whether or not directly related to our business, could reduce the price of our common stock.

China could change its policies toward private enterprises or nationalize or expropriate private enterprises.

Our business is subject to significant political and economic uncertainties and may be affected by political, economic and social developments in China. Over the past several years, the PRC government has pursued economic reform policies including the encouragement of private economic activity and greater economic decentralization. The PRC government may not continue to pursue these policies or may significantly alter them to our detriment from time to time with little, if any, prior notice.

Changes in policies, laws and regulations or in their interpretation or the imposition of confiscatory taxation, restrictions on currency conversion, restrictions or prohibitions on dividend payments to shareholders, or devaluations of currency could cause a decline in the price of our common stock, should a market for our common stock ever develop. Nationalization or expropriation could result in the total loss of your investment.

The nature and application of many laws of China create an uncertain environment for business operations and they could have a negative effect on us.

The legal system in China is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. In 1979, China began to promulgate a comprehensive system of laws and has since introduced many laws and regulations to provide general guidance on economic and business practices in China and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. The promulgation of new laws, changes to existing laws and the abrogation of local regulations by national laws could cause a decline in the price of our common stock. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement involve significant uncertainty.

Furthermore, the political, governmental and judicial systems in China are sometimes impacted by corruption. There is no assurance we will be able to obtain recourse in any legal disputes with suppliers, customers or other parties with whom we conduct business, if desired, through China's developing and sometimes corrupt judicial systems.

It will be extremely difficult to acquire jurisdiction and enforce liabilities against our officers, directors and assets based in China.

As our executive officers and several of our directors, including the Chairman of our Board of Directors, are citizens of the PRC, it may be difficult, if not impossible, to acquire jurisdiction over these persons in the event a lawsuit is initiated against us or our executive officers and directors by a shareholder or group of shareholders in the U.S. Also, because our operating subsidiaries and assets are located in China, it may be extremely difficult or impossible for individuals to access those assets to enforce judgments rendered against us or our directors or executive officers by U.S. courts. In addition, the courts in China may not permit the enforcement of judgments arising out of U.S. federal and state corporate, securities or similar laws. Accordingly, U.S. investors may not be able to enforce judgments against us for violation of U.S. securities laws.

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Fluctuation of the Renminbi may affect our financial condition and the value of our securities.

Although we use the U.S. dollar, or USD, for financial reporting purposes, most of the transactions effected by our operating subsidiaries are denominated in Chinese yuan renminbi, or RMB, the national currency of the PRC. The value of the RMB fluctuates and is subject to changes in China's political and economic conditions. Since June 2008, the RMB has been pegged to the USD. Because the PBOC regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the USD in the medium to long term. Moreover, it is possible that in the future the PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market. In June 2010, the PBOC announced that it will manage the RMB exchange rate more flexibly, following nearly two years in which the RMB has been pegged to the USD.

Future movements in the exchange rate of the RMB could adversely affect our financial condition as we may suffer financial losses when transferring money raised outside of China into the country or paying vendors for services performed outside of China. Moreover, fluctuations in the exchange rate between the USD and RMB will affect our financial results reported in USD terms without giving effect to any underlying change in our business, financial condition or results of operations. The value of our common stock likewise will be affected by the foreign exchange rate between the USD and RMB, and between those currencies and other currencies in which our sales may be denominated. Fluctuations in the exchange rate will also affect the relative value of any dividend we may issue in the future that will be exchanged into USD and earnings from, and the value of, any USD-denominated investments we make in the future. For example, if we need to convert USD into RMB for our operational needs and the RMB appreciates against the USD at that time, our financial position, our business and the price of our common stock may be harmed. Conversely, if we decide to convert our RMB into USD for the purpose of declaring dividends on our common stock or for other business purposes and the USD appreciates against the RMB, the USD equivalent of our earnings from our subsidiaries in China would be reduced.

PRC regulations relating to mergers, off-shore companies and PRC resident shareholders, if applied to us, may limit our ability to operate our business.

PRC regulations govern the process by which we may participate in an acquisition of assets or equity interests. Depending on the structure of the transaction, these regulations require involved parties to make a series of applications and supplemental applications to various government agencies. In some instances, the application process may require the presentation of economic data concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction. Government approvals will have expiration dates by which a transaction must be completed and reported to the government agencies. Compliance with the new regulations is likely to be more time consuming and expensive than in the past and the government can now exert more control over the combination of two businesses. Accordingly, due to PRC regulations, our ability to engage in business combination transactions in China through our subsidiaries in China has become significantly more complicated, time consuming and expensive, and we may not be able to negotiate transactions acceptable to us or sufficiently protective of our interests.

Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.

The RMB is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and loans. Currently, our subsidiaries in China may purchase foreign currencies for settlement of current account transactions, including payments of dividends to us, without the approval of the State Administration of Foreign Exchange, or SAFE. However, the relevant PRC government authorities may limit or eliminate their ability to purchase foreign currencies in the future. Since a significant amount of our revenues are denominated in RMB, any existing and future

restrictions on currency exchange may limit our ability to utilize revenues generated in RMB to fund our business activities outside China that are denominated in foreign currencies.

On August 29, 2008, the SAFE promulgated the Notice on Perfecting Practices Concerning Foreign Exchange Settlement Regarding the Capital Contribution by Foreign-invested Enterprises, or Circular 142, to regulate the conversion by foreign-invested enterprises of foreign currency into RMB by restricting how the converted RMB may be used. Circular 142 requires that RMB converted from the foreign currency-dominated capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC unless specifically provided for otherwise. In addition, the SAFE strengthened its oversight over the flow and use of RMB funds converted from the foreign currency-dominated capital of a foreign-invested enterprise. The use of such RMB may not be changed without approval from the SAFE, and may not be used to repay RMB loans if the proceeds of such loans have not yet been used. If we finance our subsidiaries by means of additional capital contributions, these capital contributions must be approved by certain government authorities, including the NDRC, the Ministry of Commerce, or MOFCOM, or their respective local counterparts. These limitations could affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing.

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PRC regulations relating to the registration requirements for PRC resident shareholders owning shares in off-shore companies as well as registration requirements of employee stock ownership plans or share option plans may subject our PRC resident shareholders to personal liability and limit our ability to acquire companies in China or to inject capital into our operating subsidiaries in China, limit our subsidiaries' ability to distribute profits to us or otherwise materially and adversely affect our business.

SAFE issued a public notice in October 2005, which we refer to as Circular 75, requiring PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside of China, referred to as an "off-shore special purpose company," for the purpose of acquiring any assets of or equity interest in PRC companies and raising funds from overseas. In addition, any PRC resident who is the shareholder of an off-shore special purpose company is required to amend his or her SAFE registration with the local SAFE branch, with respect to that off-shore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment or creation of any security interest over any assets located in China. If any PRC resident who is the shareholder of an off-shore special purpose company fails to comply with the SAFE registration requirements, the PRC subsidiaries of the off-shore special purpose company may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to their off-shore parent company and the off-shore parent company may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Moreover, failure to comply with the SAFE registration requirements could result in liabilities under PRC laws for evasion of foreign exchange restrictions. We cannot predict fully how Circular 75 will affect our business operations or future strategies because of ongoing uncertainty over how Circular 75 is interpreted and implemented, and how or whether SAFE will apply it to us.

We have requested our PRC resident beneficial owners, including our Chairman and Chief Executive Officer, to make the necessary applications, filings and amendments as required under SAFE regulations in connection with their equity interests in us. We attempt to ensure that our subsidiaries in China comply, and that our PRC resident beneficial owners subject to these rules comply, with the relevant SAFE regulations. We cannot provide any assurance that all of our present or prospective direct or indirect PRC resident beneficial owners have complied or will comply fully with all applicable registrations or required approvals. The failure or inability of our PRC resident beneficial owners to comply with the applicable SAFE registration requirements may subject these beneficial owners or us to fines, legal sanctions and restrictions described above.

On March 28, 2007, SAFE released detailed registration procedures for employee stock ownership plans or share option plans to be established by overseas listed companies and for individual plan participants. Any failure to comply with the relevant registration procedures may affect the effectiveness of employee stock ownership plans or share option plans and subject the plan participants, the companies offering the plans or the relevant intermediaries, as the case may be, to penalties under the PRC foreign exchange regime. To date, all of our grants of options have been solely to U.S. citizens. We currently have no employee stock ownership plan or share option plan in effect. If we establish an employee stock ownership plan or share option plan and fail to comply with the relevant registration procedures, we may be subject to fines and legal sanctions or be prevented from making distributions or paying dividends, as a result of which our results of operations and ability to distribute profits could be materially and adversely affected.

The waiver and release agreements between us and certain shareholders may be challenged by PRC tax authorities and be subject to transfer pricing adjustments.

On October 27, 2010, certain shareholders waived any right to receive further payment for their ownership interests in us resulting from the Share Exchange Agreement in exchange for a mutual release of claims pursuant to waiver and release agreements, or the Waiver and Release Agreements. Under applicable PRC tax rules, any transaction between related parties must be priced on an arm's length basis. The PRC tax authority has the right to investigate any related

party transaction and to make adjustment if it finds that the price does not reflect an arm's length transaction. The PRC tax authority would make adjustments by applying a deemed arm's length price to the transaction. Given that the parties to the respective Waiver and Release agreements were related parties, there is a possibility that these transfers may be challenged and investigated by the PRC tax authority and deemed to have been made without consideration. If the deemed appropriate arm's length price determined by the PRC tax authority during such investigation is higher than that already paid to those shareholders, such excess amount could be subject to a 20% PRC income tax. Although we believe that the respective individual shareholders would be responsible for any possible PRC income tax, we understand that it is common practice for PRC tax authorities to enforce the tax collection against the entity at issue, which in this case would be us. If the PRC tax authorities do hold us responsible for these taxes, we may be required to pay the possible PRC tax on behalf of certain shareholders for these transactions.

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If we fail to satisfy our required additional contribution of registered capital to Creative Bellows, our business in China will be adversely affected.

As of March 31, 2011, we are required to contribute \$8.1 million as additional contribution of registered capital to Creative Bellows by July 2012. Under PRC laws, shareholders of a foreign-invested enterprise are required to contribute capital to satisfy the registered capital requirement of the foreign-invested enterprise within a period of not more than two years from the date when the foreign-invested enterprise's license to conduct business is initially granted. The relevant PRC government agencies may grant an additional three-month grace period. If the shareholders are unable to complete the registered capital contribution within the grace period, the foreign-invested enterprise may apply to the relevant PRC government agencies for a reduction of the registered capital requirement. If the reduction of the registered capital requirement is not approved and the capital contribution remains incomplete, the foreign-invested enterprise may be required to pay a penalty.

PRC labor laws may adversely affect our results of operations.

On June 29, 2007, the PRC government promulgated a new labor law, namely, the Labor Contract Law of the PRC, or the Labor Contract Law, which became effective on January 1, 2008. The Labor Contract Law imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires that certain terminations be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce in China, the Labor Contract Law could adversely affect our ability to effect such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, thus materially and adversely affecting our financial condition and results of operations.

We operate in the PRC through our wholly owned operating entities, and the local office of the MOFCOM has initially approved Creative Bellows' WFOE status. However, we cannot assure you that such approval procedures have been completely satisfied.

On August 8, 2006, six PRC regulatory agencies, including MOFCOM and the China Securities Regulatory Commission, or the CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors, or the M&A Regulations, which govern the acquisition of PRC domestic enterprises by foreign investors as well as the listing of certain non-PRC entities on exchanges outside of China. The M&A Regulations took effect on September 8, 2006. Under the M&A Regulations, the approval of MOFCOM's central office is required for any acquisition of a PRC domestic enterprise by a foreign investor established or controlled by a PRC person associated with the PRC domestic enterprise. The M&A Regulations further prohibit the use of equity of a foreign investor whose shares are traded on an over-the-counter market as consideration in the acquisition of a PRC domestic enterprise.

We believe that our issuance of equity to the shareholders of Creative Bellows and their designees, which was at the time of such issuance a PRC domestic enterprise, did not require the approval of MOFCOM because it was not in consideration for the acquisition of a PRC domestic enterprise. We further believe that our acquisition of approximately 87% of Creative Bellows in August 2010, by which time Creative Bellows had been transformed into a Sino-foreign joint venture company, and our acquisition of the remaining minority interest in Creative Bellows in October 2010, was not governed by the M&A Regulations but rather by the 1997 Provisions on Changes in Equity Interest of Foreign Investment Enterprises, which do not require the approval of MOFCOM's central office in connection with the acquisition of interests in a foreign-invested entity by a foreign investor owned in part by shareholders of the foreign-invested entity.

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Furthermore, in October 2010, we received approval to acquire the remaining minority interest in Creative Bellows from its shareholders for cash consideration. On October 27, 2010, pursuant to the Waiver and Release Agreements, the shareholders of Creative Bellows waived any right to receive any part of this cash consideration for their ownership interests in Creative Bellows in exchange for a mutual release of claims. Because the PRC regulatory approval of our acquisition of the remaining minority interest in Creative Bellows was based on the payment of cash as consideration for those ownership interests, it is unclear whether we must submit Creative Bellows' WFOE application for reapproval by MOFCOM and SAFE, or at least notify MOFCOM of the change in consideration used.

The meaning of many of the provisions of the M&A Regulations is still unclear, and regulators have wide latitude in the enforcement of these and other relevant regulations. If MOFCOM subsequently determines that we should have obtained the approval of MOFCOM's central office for any or all of the transactions described above, we may be subject to fines and penalties on our operations in China, have our operating privileges limited, have the payment or remittance of dividends paid by Creative Bellows delayed or restricted, or be subject to other regulatory or administrative actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our shares.

The approval of the CSRC may be required under the M&A Regulations in connection with our acquisition of Creative Bellows and, if required, we cannot predict whether we will be able to obtain such approval.

The M&A Regulations require that if an overseas company established or controlled by PRC domestic companies or citizens intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC domestic companies or citizens, such acquisition must be submitted to MOFCOM for approval. In addition, this regulation requires that an overseas company controlled directly or indirectly by PRC companies or citizens and holding equity interests of PRC domestic companies needs to obtain the approval of the CSRC prior to listing its securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice on its official website specifying the documents and materials required to be submitted by overseas special purpose companies seeking the CSRC's approval of their overseas listings.

The application of the M&A Regulations remains unclear. We believe that we are not required to obtain the approval of the CSRC for the listing of our common stock in the U.S. equity markets because we are not an off-shore special purpose company, as defined in the M&A Regulations. If the CSRC or another PRC regulatory agency subsequently determines that approvals from MOFCOM or the CSRC were required for our acquisition of Creative Bellows, we may need to apply for a remedial approval from the CSRC and may be subject to certain administrative punishments or other sanctions from PRC regulatory agencies. The PRC regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of our foreign currency in our offshore bank accounts into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our common stock.

If MOFCOM or the CSRC later requires that we obtain its approval, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding these approval requirements could materially and adversely affect the trading price of our common stock.

Failure to register with the PRC foreign exchange authorities the cash payment for some of the equity of Creative Bellows that we acquired could have an adverse impact on our ability to transfer funds in or out of China.

PRC law requires the registration with SAFE of any payments made by a foreign investor in exchange for the equity of a PRC domestic enterprise or foreign-invested enterprise. Because Bei Lu, Dianfu Lu, Wenge Chen and Wonderful

Limited waived their right to receive any cash payments in connection with the transfer to us of their equity in Creative Bellows, no registration of a cash payment was possible or was made. We cannot assure you that SAFE will not view this as a failure to comply with PRC laws relating to foreign exchange and take actions that could delay or restrict our ability to transfer funds in or out of China in the future, or subject us to fines or penalties.

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Tax laws and regulations in China are subject to substantial revision, some of which may adversely affect our profitability.

The PRC corporate tax regime continues to undergo substantial revision. Tax benefits that we presently enjoy may not be available to us in the wake of these changes, and we could incur tax obligations to the PRC government that are significantly higher than currently anticipated. These increased tax obligations could negatively affect our financial condition and our revenues, gross margins, profitability and results of operations may be adversely affected as a result.

Certain tax treatment for which we are eligible in China is scheduled to expire over the next several years.

As of October 2010, Creative Bellows has been classified as a “high technology enterprise” eligible for certain tax benefits, including a preferential 15% enterprise income tax rate instead of the standard 25% enterprise income tax rate. These tax benefits are retroactive for 2010 and any income tax we paid in 2010 under the higher standard rate either will be refunded to us or offset in future periods and recorded as income tax benefit. Our eligibility for the tax benefits lasts until December 31, 2012. When the tax benefits expire, and if our favorable tax treatment is not continued, our income tax expenses will increase, which will reduce our net income.

Under the Enterprise Income Tax Law, we are likely to be classified as a “resident enterprise” of China. Such classification will likely result in unfavorable tax consequences to us.

China passed a new Enterprise Income Tax Law, or the EIT Law, and its implementing rules, both of which became effective on January 1, 2008. Under the EIT Law, an enterprise established outside of China with “de facto management bodies” within China is considered a “resident enterprise,” meaning that it must be treated as a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise.

On April 22, 2009, the State Administration of Taxation, or the SAT, issued the Notice Concerning Relevant Issues Regarding Cognizance of Chinese Investment Controlled Enterprises Incorporated Off-shore as Resident Enterprises pursuant to Criteria of de facto Management Bodies, or the Notice, further interpreting the application of the EIT Law and its implementation regarding non-PRC enterprise or group controlled off-shore entities. Pursuant to the Notice, an enterprise incorporated in an off-shore jurisdiction and controlled by a PRC enterprise or group will be classified as a “non-domestically incorporated resident enterprise” if: (i) its senior management in charge of daily operations reside or perform their duties mainly in China; (ii) its financial or personnel decisions are made or approved by bodies or persons in China; (iii) its substantial assets and properties, accounting books, corporate chops, board and shareholder minutes are kept in China; and (iv) at least half of its directors with voting rights or senior management often reside in China. A “resident enterprise” would be subject to an enterprise income tax rate of 25% on its worldwide income and must pay a withholding tax at a rate of 10% when paying dividends to its non-PRC shareholders. However, detailed measures on imposition of tax from non-domestically incorporated resident enterprises are not yet available. Therefore, it is unclear how tax authorities will determine tax residency based on the facts of each case.

We may be deemed to be a “resident enterprise” by PRC tax authorities. If the PRC tax authorities determine that we are a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as interest on financing proceeds and non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Second, although under the EIT Law and its implementing rules dividends paid to us from our PRC subsidiaries would qualify as “tax-exempt income,” we cannot guarantee that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with

respect to the processing of outbound remittances to entities that are treated as “resident enterprises” for PRC enterprise income tax purposes. Finally, it is possible that future guidance issued with respect to the new “resident enterprise” classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC shareholders and with respect to gains derived by our non-PRC shareholders from transferring our shares. If we were treated as a “resident enterprise” by PRC tax authorities, we would be subject to taxation in both the U.S. and China, and our PRC tax may not be creditable against our U.S. tax.

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Dividends distributed by us to our non-PRC resident shareholders may be subject to PRC withholding taxes.

Before the EIT came into effect on January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises, such as dividends paid to us by our subsidiaries in China, were exempt from PRC withholding tax. We are a Nevada holding company and substantially all of our income is derived from dividends we receive from our subsidiaries in China. Pursuant to the EIT, dividends generated after January 1, 2008, and distributed to us by our subsidiaries are subject to withholding tax at a rate of 5%, provided that we are determined by the relevant PRC tax authorities to be a “non-resident enterprise” under the EIT and hold at least 25% of the equity interest of our subsidiaries. If we are determined to be a “resident enterprise,” we cannot guarantee that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as “resident enterprises” for PRC enterprise income tax purposes. In addition, it is possible that future guidance issued with respect to the new “resident enterprise” classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC shareholders and with respect to gains derived by our non-PRC shareholders from transferring our shares.

On October 27, 2009, the SAT promulgated “Notice on How to Understand and Determine the Beneficial Owners in Tax Agreement,” or SAT Circular 601, which provides guidance for determining whether a resident of a contracting state is the “beneficial owner” of an item of income under China’s tax treaties and tax arrangements. According to SAT Circular 601, a beneficial owner generally must be engaged in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. The agent or conduit company normally refers to a company that is registered in a jurisdiction other than China and merely meets the minimum legal requirements on organizational form and is not engaged in substantive operational activities for manufacturing, distribution or management. It is still unclear how SAT Circular 601 is implemented by SAT or its local counterparts in practice and whether we could be recognized as a “beneficial owner.” If we are deemed a non-resident enterprise but not qualified as a beneficial owner, we will not be entitled to a reduced 5% withholding tax and the 10% withholding tax would be imposed on our dividend income received from our subsidiaries. As a result, our net income would be reduced and our operating results would be adversely affected.

Our compliance with the U.S. Foreign Corrupt Practices Act, or the FCPA, may put us at a competitive disadvantage, while our failure to comply with the FCPA may result in substantial penalties.

We are required to comply with the FCPA, which prohibits U.S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Although we inform our personnel that such practices are illegal, we cannot assure you that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties. Non-U.S. companies, including some of our competitors, are not subject to the provisions of the FCPA. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time to time in mainland China. If our competitors engage in these practices, they may receive preferential treatment from personnel of some companies, giving our competitors an advantage in securing business or from government officials who might give them priority in obtaining new licenses, which would put us at a disadvantage.

Risks Related to Our Securities

The market price for our common stock may be volatile.

The trading price of our common stock may fluctuate widely in response to various factors, some of which are beyond our control. These factors include, but not limited to, our quarterly operating results or the operating results of other companies in our industry, announcements by us or our competitors of acquisitions, new products, product

improvements, commercial relationships, intellectual property, legal, regulatory or other business developments and changes in financial estimates or recommendations by stock market analysts regarding us or our competitors. In addition, the stock market in general, and the market for companies based in China in particular, has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated or disproportionate to their operating performance. These broad market fluctuations may materially affect our stock price, regardless of our operating results. Furthermore, the market for our common stock historically has been limited and we cannot assure you that a larger market will ever be developed or maintained. The price at which investors purchase shares of our common stock may not be indicative of the price that will prevail in the trading market. Market fluctuations and volatility, as well as general economic, market and political conditions, could reduce our market price. As a result, these factors may make it more difficult or impossible for you to sell our common stock for a positive return on your investment.

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Shares of our common stock lack a significant trading market.

Shares of our common stock are not eligible for trading on any national securities exchange. Our common stock is qualified for quotation on the OTCQB and trades in the over-the-counter markets, or in what are commonly referred to as “pink sheets.” However, there is no active market for our common stock at this time. These over-the-counter markets are highly illiquid. There is no assurance that an active trading market in our common stock will develop, or if such a market develops, that it will be sustained. In addition, there is a greater chance for market volatility for securities quoted on the OTCQB or pink sheets as opposed to securities traded on a national securities exchange. This volatility may be caused by a variety of factors, including the lack of readily available quotations, the absence of consistent administrative supervision of “bid” and “ask” quotations and generally lower trading volume. As a result, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our common stock, or to obtain coverage for significant news events concerning us, and the common stock could become substantially less attractive for margin loans, for investment by financial institutions, as consideration in future capital raising transactions or for other purposes.

Future sales of shares of our common stock by our shareholders could cause our stock price to decline.

Future sales of shares of our common stock could adversely affect the prevailing market price of our stock. If our significant shareholders sell a large number of shares, or if we issue a large number of shares, the market price of our stock could decline. Moreover, the perception in the public market that shareholders might sell shares of our stock could depress the market for our shares. Our directors and executive officers and certain of our other shareholders who received shares of our common stock issued pursuant to the Share Exchange Agreement are subject to lockup agreements that prohibit their sale of all shares of our common stock held currently or acquired by them in the future to the general public until December 15, 2013, except in the event of a change of control or sale of our company. Upon the termination of these lockup agreements, if such shareholders sell substantial amounts of our common stock in the public market, such sales could create a circumstance commonly referred to as an “overhang,” in anticipation of which the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make it more difficult for us to raise additional financing through the sale of equity or equity-related securities in the future at a time and price we deem reasonable or appropriate.

We may issue additional shares of our capital stock to raise capital or complete acquisitions, which would reduce the equity interest of our shareholders.

Our Articles of Incorporation authorize the issuance of 100,000,000 shares of common stock and 100,000,000 shares of preferred stock. As of June 30, 2011, there were 72,185,868 authorized and unissued shares of our common stock available for future issuance, based on 24,982,822 shares of our common stock outstanding and our reservation of 2,831,310 shares of our common stock issuable upon exercise of outstanding warrants and options, and 100,000,000 authorized and unissued shares of our preferred stock available for future issuance. Although we have no commitments as of the date of this prospectus to issue our securities, we may issue a substantial number of additional shares of our common stock to complete a business combination or to raise capital. The issuance of additional shares of our common stock may significantly reduce the equity interest of our existing shareholders and adversely affect prevailing market prices for our common stock.

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The application of the “penny stock” rules could adversely affect the market price of our common stock and increase your transaction costs to sell those shares.

Our common stock may be subject to the “penny stock” rules adopted under Section 15(g) of the Securities Exchange Act of 1934, or the Exchange Act. The penny stock rules apply to issuers whose common stock does not trade on a national securities exchange and trades at less than \$5.00 per share, or that have a tangible net worth of less than \$5,000,000 (\$2,000,000 if the company has been operating for three or more years). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the SEC that contains the following information:

- a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- a description of the broker’s or dealer’s duties to the customer and of the rights and remedies available to the customer with respect to violation to such duties or other requirements of securities laws;
- a brief, clear, narrative description of a dealer market, including “bid” and “ask” prices for penny stocks and the significance of the spread between the “bid” and “ask” prices;
 - a toll free telephone number for inquiries on disciplinary actions;
- definitions of any significant terms in the disclosure document or in the conduct of trading in penny stocks; and
- such other information and is in such form (including language, type, size and format), as the SEC shall require by rule or regulation.

Prior to effecting any transaction in a penny stock, the broker-dealer also must provide the customer with the following information:

- bid and offer quotations for the penny stock;
 - compensation of the broker-dealer and our salesperson in the transaction;
- number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
 - monthly account statements showing the market value of each penny stock held in the customer’s account.

The penny stock rules further require that, prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks and a signed and dated copy of a written suitability statement.

Due to the requirements of the penny stock rules, many broker-dealers have decided not to trade penny stocks. As a result, the number of broker-dealers willing to act as market makers in such securities is limited. If we remain subject to the penny stock rules for any significant period, it could have an adverse effect on the market, if any, for our securities. Moreover, if our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the Board of Directors may consider relevant. Furthermore, China has currency and capital transfer regulations that require us to comply with complex regulations for the movement of capital and restrict the amount of capital available for distribution as dividends. See “Risks Related to Our Business –

We are a holding company that depends on cash flow from our wholly owned subsidiaries to meet our obligations.” Although our management believes that we are in compliance with these regulations, should these regulations or their interpretation by PRC courts or regulatory agencies change, we may not be able to pay dividends to our shareholders outside of China. Our management intends to follow a policy of retaining all of our earnings to finance the development and execution of our strategy and the expansion of our business. If we do not pay dividends, our common stock may be less valuable because a return on your investment will occur only if our stock price appreciates.

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Our principal shareholder has the ability to exert significant control in matters requiring a shareholder vote and could delay, deter or prevent a change of control in our company.

As of June 30, 2011, Bei Lu, our Chairman and Chief Executive Officer, and our largest shareholder, owned approximately 37.96% of our outstanding common stock. Ms. Lu exerts significant influence over us, giving her the ability, among other things, to exercise significant control over the election of all or a majority of the Board of Directors and to approve significant corporate transactions. Such stock ownership and control may also have the effect of delaying or preventing a future change in control, impeding a merger, consolidation, takeover or other business combination, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company. Without the consent of Ms. Lu, we could be prevented from entering into potentially beneficial transactions if they conflict with our principal shareholder's interests. The interests of Ms. Lu may differ from the interests of our other shareholders.

Provisions in our Articles of Incorporation and Amended and Restated Bylaws could make it very difficult for you to bring any legal actions against our directors or officers for violations of their fiduciary duties or could require us to pay any amounts incurred by our directors or officers in any such actions.

Pursuant to our Articles of Incorporation, members of our Board of Directors and our officers will have no liability for breaches of their fiduciary duty of care as a director or officer, except in limited circumstances. Accordingly, you may be unable to prevail in a legal action against our directors or officers even if they have breached their fiduciary duty of care. In addition, our Articles of Incorporation and Amended and Restated Bylaws allow us to indemnify our directors and officers from and against any and all costs, charges and expenses resulting from their acting in such capacities with us. This means if you were able to enforce an action against our directors or officers, in all likelihood, we would be required to pay any expenses they incurred in defending the lawsuit and any judgment or settlement they otherwise would be required to pay.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements regarding our company that include, but are not limited to, statements concerning our projected revenues, expenses, gross profit and income, mix of revenue, demand for our products, the benefits and potential applications for our products, the need for additional capital, our ability to obtain and successfully perform additional new contract awards and the related funding and profitability of such awards, the competitive nature of our business and markets and product qualification requirements of our customers. These forward-looking statements are based on our current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by us. Words such as "anticipates," "expects," "intends," "plans," "predicts," "potential," "believes," "seeks," "hopes," "estimates," "should," "may," "will," "with a view to" and variations of these words and expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. Such factors include, but are not limited to, the following:

- Our goals and strategies;
- Our expansion plans;
- Our future business development, financial conditions and results of operations;
 - The expected growth of the markets for our products;
 - Our expectations regarding demand for our products;
- Our expectations regarding keeping and strengthening our relationships with key customers;
 - Our ability to stay abreast of market trends and technological advances;
 - Competition in our industries in China;
- General economic and business conditions in the regions in which we sell our products;
 - Relevant government policies and regulations relating to our industries; and
 - Market acceptance of our products.

These forward-looking statements involve various risks and uncertainties. Although we believe our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Our Business" and other sections in this prospectus. You should read this prospectus and the documents we refer to thoroughly with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements. Other sections of this prospectus include additional factors which could adversely impact our business and financial performance.

This prospectus contains statistical data we obtained from various publicly available government publications and industry-specific third party reports. Statistical data in these publications also include projections based on a number of assumptions. The markets for our products may not grow at the rate projected by market data, or at all. The failure of these markets to grow at the projected rates may have a material adverse effect on our business and the market price of our securities. In addition, the rapidly changing nature of our customers' industries results in significant uncertainties in any projections or estimates relating to the growth prospects or future condition of our markets. Furthermore, if any one or more of the assumptions underlying the market data is later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

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Unless otherwise indicated, information in this prospectus concerning economic conditions and our industry is based on information from independent industry analysts and publications, as well as our estimates. Except where otherwise noted, our estimates are derived from publicly available information released by third party sources, as well as data from our internal research, and are based on such data and our knowledge of our industry, which we believe to be reasonable. None of the independent industry publication market data cited in this prospectus was prepared on our or our affiliates' behalf.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus and the documents we refer to in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

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USE OF PROCEEDS

We will not receive any proceeds from sales by the selling shareholders of the shares of our common stock covered by this prospectus. To the extent the selling shareholders exercise the warrants covering the 813,810 shares of our common stock issuable upon exercise of all of the warrants, we would receive up to \$2,441,430 from such exercises. The warrants may expire without having been exercised. Even if some or all of these warrants are exercised, we cannot predict when they will be exercised and when we would receive the proceeds. We intend to use any proceeds we receive upon exercise of the warrants for general corporate and working capital purposes.

PRICE RANGE OF COMMON STOCK

Our common stock is quoted on the OTCQB under the symbol "CTEK." From December 15, 2010, to March 2, 2011, our common stock traded on the NASDAQ Capital Market. Prior to December 15, 2010, our common stock was quoted on the OTC Bulletin Board under the symbol "EVCP" since October 23, 2008. No trades of our common stock occurred through the facilities of the OTC Bulletin Board until July 2, 2010. The following table sets forth the range of the high and low bid prices per share of our common stock for each quarter (or portion thereof) as reported on the OTC Bulletin Board beginning on July 2, 2010, through to December 14, 2010, as reported on the NASDAQ Capital Market from December 15, 2010, through to March 2, 2011, and as reported on the OTCQB thereafter.

| | High | Low |
|---|---------|---------|
| Third Quarter 2010 (July 2, 2010 – September 30, 2010) | \$ 9.50 | \$ 5.10 |
| Fourth Quarter 2010 (through December 14, 2010) | \$ 9.00 | \$ 6.05 |
| Fourth Quarter 2010 (December 15, 2010 – December 31, 2010) | \$ 8.99 | \$ 7.00 |
| First Quarter 2011 (January 1, 2011 – March 2, 2011) | \$ 8.11 | \$ 3.77 |
| First Quarter 2011 (March 3, 2011 – March 31, 2011) | \$ 5.20 | \$ 2.50 |
| Second Quarter 2011 (through June 30, 2011) | \$ 2.85 | \$ 1.68 |
| Third Quarter 2011 (through August 3, 2011) | \$ 2.40 | \$ 1.70 |

DIVIDEND POLICY

We have not paid any cash dividends on our common stock and do not anticipate or contemplate paying dividends on our common stock in the foreseeable future. The timing, amount and form of dividends, if any, will depend on, among other things, our results of operations, financial condition, cash requirements and other factors deemed relevant by our Board of Directors. We currently intend to utilize all available funds to develop our business.

Our ability to pay dividends may be affected by the complex currency and capital transfer regulations in China that restrict the payment of dividends to us by our subsidiaries in China. PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. We also are required to set aside at least 10% of our net income after taxes based on China's accounting standards each year to statutory surplus reserves until the cumulative amount of such reserves reaches 50% of registered capital. These reserves are not distributable as cash dividends. Our subsidiaries also may allocate a portion

of their after-tax profits to their staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation. If our subsidiaries incur debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

In addition, Circular 75 requires PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside of China. If the PRC subsidiaries of an off-shore parent company do not report the need for their PRC investors to register to the local SAFE authorities, they may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to their off-shore parent company. Although we believe that our subsidiaries are in compliance with these regulations, should these regulations or the interpretation of them by PRC courts or regulatory agencies change, we may not be able to pay dividends outside of China.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Safe Harbor Declaration

The comments made throughout this prospectus should be read in conjunction with our Financial Statements and the Notes thereto, and other financial information appearing elsewhere in this prospectus. In addition to historical information, the following discussion and other parts of this prospectus contain certain forward-looking information. When used in this discussion, the words, "believes," "anticipates," "expects," and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from projected results, due to a number of factors beyond our control. CleanTech does not undertake to publicly update or revise any of its forward-looking statements, even if experience or future changes show that the indicated results or events will not be realized. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Readers are also urged to carefully review and consider our discussions regarding the various factors that affect our business, which are described in this section and elsewhere in this prospectus.

Overview

We are a manufacturer of structural towers for megawatt-class wind turbines as well as other highly engineered metal components used in the energy industry and other industries in the PRC. We currently design, manufacture, test and sell structural towers for 1, 1.5 and 3MW on-land wind turbines, and believe that we have the expertise and manufacturing capacity to provide towers for higher-powered on-land and off-shore turbines. We currently are the only wind tower manufacturer within Tieling, Liaoning Province, which we believe provides us with a competitive advantage in supplying towers to the wind-energy-rich northern provinces of China. We also manufacture specialty metal products that require advanced manufacturing and engineering capabilities, including bellows expansion joints and connecting bend pipes used for waste heat recycling in steel production and in ultra-high-voltage electricity transmission grids, as well as industrial pressure vessels. Our products provide solutions for China's increasing demand for clean energy.

We sell our products exclusively in the PRC domestic market. Our current wind tower customers include two of China's five largest state-owned utilities, which are among the top wind farm operators in China as measured by installed wind capacity. We produce wind towers, a component of wind turbine installations, but do not compete with wind turbine manufacturers. Our specialty metal products are used by large-scale industrial companies involved mainly in the steel and coke, petrochemical, high-voltage electricity transmission and thermoelectric industries.

We are a U.S. holding company with no material assets other than the ownership interests of our two wholly owned operating subsidiaries organized under the laws of the PRC: Creative Bellows and Creative Wind Power. Creative Bellows was incorporated on September 17, 2007, and is our WFOE; Creative Bellows owns 100% of Creative Wind Power, which was incorporated on May 26, 2009. Creative Bellows provides the production expertise, employees and facilities to manufacture our wind towers, bellows expansion joints, pressure vessels and other fabricated metal specialty products. Creative Wind Power markets and sells the wind towers designed and manufactured by Creative Bellows.

Critical Accounting Policies

While our significant accounting policies are more fully described in Note 2 to our consolidated financial statements, we believe the following accounting policies are the most critical to aid you in fully understanding and evaluating this management discussion and analysis.

Explanation of Responses:

Basis of Presentation

Our financial statements are prepared in accordance with U.S. GAAP.

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Principles of Consolidation

The consolidated financial statements include the accounts of CleanTech, Creative Bellows and Creative Wind Power. All intercompany transactions and account balances are eliminated in consolidation.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates, required by management, include the recoverability of long-lived assets and the valuation of inventories. Actual results could differ from those estimates.

Accounts Receivable and Retentions Receivable

We maintain reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. The past due receivables are determined based on contractual payment terms specified in the contract. We do not anticipate any significant credit risk because the majority of our customers are large, well-capitalized state-owned and publicly traded utility and industrial companies with stable operations.

The retention rate generally is 10% of the sales price with a term of 1-2 years, but no later than the termination of the warranty period.

Revenue Recognition

Our revenue recognition policies are in compliance with SEC Staff Accounting Bulletin (“SAB”) 104 (codified in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 605). Sales revenue, including the final 10% of the purchase price, is recognized after delivery is complete, customer acceptance of the product occurs and collectability is reasonably assured. Customer acceptance occurs after the customer puts the product through a quality inspection, which normally is completed within one to two weeks from customer receipt of the product. The customer is responsible for installation and integration of our products into their end products. Payments received before satisfaction of all relevant criteria for revenue recognition are recorded as unearned revenue. Unearned revenue consists of payments received from customers prior to customer acceptance of the products.

Sales revenue represents the invoiced value of goods, net of value-added taxes, or VAT. Our products sold and services provided in China are subject to VAT of 17% of the gross sales price. This VAT may be offset by VAT paid by us on raw materials and other materials included in the cost of producing the finished product. We recorded VAT payable and VAT receivable net of payments in the financial statements. The VAT tax return is filed offsetting the payables against the receivables.

Warranties

We provide a warranty to all of our customers on our products for up to 24 months depending on the terms negotiated with each customer. During the warranty period, we will repair or replace defective products free of charge. We do not consider the warranty an additional service; rather, the warranty is considered an integral part of the product’s sale. There is no general right of return indicated in the contracts or purchase orders. If a product under warranty is defective or malfunctions, we are responsible for fixing it or replacing it with a new product. Our products are our

Explanation of Responses:

only deliverables.

We have implemented internal manufacturing protocols designed to ensure product quality beginning from the receipt of raw materials to the final inspection at the time products are shipped. We monitor warranty claims and accrue for warranty expense accordingly, using ASC Topic 450 to account for our standard warranty.

We provide after-sales services at a charge after expiration of the warranty period. We recognize such revenue when such service is provided.

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Foreign Currency Translation and Transactions and Comprehensive Income (Loss)

The accompanying consolidated financial statements are presented in USD. Our functional currency is the USD, while the functional currency of our wholly owned subsidiaries is the RMB. The functional currencies of our foreign operations are translated into USD for balance sheet accounts using the current exchange rates in effect as of the balance sheet date and for revenue and expense accounts using the average exchange rate during the period. The translation adjustments are recorded as a separate component of stockholders' equity captioned "Accumulated other comprehensive income (loss)." Gains and losses resulting from transactions denominated in foreign currencies are included in "Other income (expense)" in the consolidated statements of operations. As of the date hereof, there have been no significant fluctuations in the exchange rate for the conversion of RMB to USD after the balance sheet date.

Segment Reporting

SFAS 131, "Disclosures about Segments of an Enterprise and Related Information" (codified in FASB ASC Topic 280), requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure or any other manner in which management disaggregates a company.

Management determined that our product lines – wind towers, bellows expansion joints and pressure vessels – constitute a single reportable segment under ASC 280. We operate exclusively in one business: the design and manufacture of highly engineered metal components for heavy industry. The manufacturing processes for each of our products, principally the rolling and welding of raw steel materials, make use of the same pool of production workers and engineering talent for design, fabrication, assembly and testing. Our products are characterized and marketed by their ability to withstand temperature, pressure, structural load and other environmental factors. Our products are used by major electrical utilities and large-scale industrial companies in China specializing in heavy industry, and our sales force sells our products directly to these companies, which utilize our components in their finished products. All of our long-lived assets for production are located in our facilities in Tieling, Liaoning Province, China, and operate within the same environmental, safety and quality regulations governing industrial component manufacturing companies. We established our subsidiary, Creative Wind Power, solely for the purpose of marketing and selling our wind towers, which constitute the structural support cylinder for an industrial wind turbine installation. Management believes that the economic characteristics of our product lines, specifically costs and gross margin, will be similar as production increases and labor continues to be shared across products.

Our sales in the three months ended March 31, 2010, consisted primarily of bellows expansion joints and reflected pricing based on lower sales volume of higher-margin products with unique customer design requirements, which resulted in gross margins of 52%. This concentration on higher-margin products and low sales volume led to higher gross margins for these products for the three months ended March 31, 2010, which management believes are not sustainable as production volume increases and our product lines become more diversified. For the three months ended March 31, 2011, the gross margins for our bellows expansion joints and pressure vessels decreased as our mix of bellows expansion joints and pressure vessels broadened to include more components with lower margins. We expect a further decrease in our gross margins going forward for bellows expansion joints and pressure vessels as these product lines continue to broaden.

We initiated sales of our wind towers in the second quarter of 2010 and expect the majority of our sales going forward will be of our wind towers. Initial gross margins of our wind towers were impacted by one-time startup costs of approximately \$100,000, production inefficiencies associated with the introduction of a new product line and lower sales volume, which reduced gross margins significantly at the time the startup costs were incurred. We have experienced an increase in gross margins for our wind towers since the quarter ended June 30, 2010, because of

increased sales volume, improved production efficiencies and the elimination of certain startup costs. In addition, our blended gross margin of 27% for the three months ended March 31, 2011, was lower than for the three months ended March 31, 2010, largely due to the decrease in our gross profits from bellows expansion joints and related to a more sustainable level from 52% for the three months ended March 31, 2010, in addition to the introduction of our comparatively lower-margin wind tower products.

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As our overall mix of products and product gross margins broadens and sales volume increases, we expect the gross margins of our product lines to converge and stabilize toward the current blended gross margin of approximately 27% to 30%. As a result, management views our business and operations for all product lines as a blended gross margin when determining future growth, return on investment and cash flows. Accordingly, management has concluded that we have one reportable segment under ASC 280 because: (i) all of our products are created with similar production processes, in the same facilities, under the same regulatory environment and sold to similar customers using similar distribution systems; and (ii) gross margins of all product lines have been converging and should continue to converge.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2011, compared to the Three Months Ended March 31, 2010

The following table presents the consolidated results of operations for the three months ended March 31, 2011 and 2010.

| | 2011 | | 2010 | |
|-------------------------------|-----------|------------|----------|------------|
| | \$ | % of Sales | \$ | % of Sales |
| Net sales | 3,932,665 | 100% | 232,118 | 100% |
| Cost of goods sold | 2,859,117 | 73% | 112,567 | 48% |
| Gross profit | 1,073,548 | 27% | 119,551 | 52% |
| Total operating expenses | 897,123 | 23% | 216,446 | 94% |
| Income (loss) from operations | 176,425 | 5% | (96,895) | (42)% |
| Total non-operating income | 475,087 | 12% | 230,208 | 99% |
| Income before income tax | 651,512 | 17% | 133,313 | 57% |
| Income tax expense | (153,385) | (4)% | (38,160) | (16)% |
| Net income | 498,127 | 13% | 95,153 | 41% |

NET SALES

Net sales for the three months ended March 31, 2011, increased to \$3.93 million from \$0.23 million for the three months ended March 31, 2010, an increase of \$3.7 million or 1594%. Net sales for the three months ended March 31, 2011, consisted of \$3.47 million in sales of wind towers and \$0.46 million in sales of bellows expansion joints and pressure vessels, while our net sales for the three months ended March 31, 2010, consisted entirely of bellows expansion joints. The increase in net sales was attributable to our commencement in the second half of 2010 of production and sales of wind towers, which became our main product line in the first quarter of 2011 and continues to experience an increase in demand. Our wind tower products have higher unit prices but longer production cycles than our other products because our wind towers are customized to order and the selling prices vary based on customer specifications.

COST OF GOODS SOLD

Cost of goods sold for the three months ended March 31, 2011, increased to \$2.86 million from \$0.11 million for the three months ended March 31, 2010. Cost of goods sold includes material costs, primarily steel, and labor costs and related overhead. The increase in cost of goods sold is due to the introduction and significant increase of production and sales volume of our wind tower products during the first three months of 2011. Cost of goods sold as a percentage of net sales for the three months ended March 31, 2011, was 73% compared to 48% for the same period of 2010. The increase in cost of goods sold as a percentage of sales was mainly due to the commencement and increased sales and production of wind towers in the second quarter of 2010, which have a higher cost compared to our other products because of the raw material costs in proportion to total costs of our wind tower products. Additionally, cost of goods sold as a percentage of sales increased as sales volume increased and our mix of bellows expansion joints and pressure vessels shifted to include lower margin offerings in the product lines.

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GROSS PROFIT

Gross profit for the three months ended March 31, 2011, increased to \$1.07 million from \$0.12 million for the three months ended March 31, 2010. Gross profit margin decreased to 27% for the three months ended March 31, 2011, from 52% for the same period of 2010.

Our sales in the first quarter of 2010 consisted primarily of bellows expansion joints, which reflected pricing based on lower sales volume of higher margin products with unique customer design requirements and resulted in gross profit margins of 52%. The concentration of higher margin products and low sales volume in the beginning of 2010 caused an unusually high gross profit margin that management does not believe is sustainable in the future. In the first quarter of 2011, gross profit margins for our bellows expansion joint and pressure vessel products decreased from the comparable period of 2010, as expected by management, as we sold a more diversified mix of products. Since the second quarter of 2010, we have increased sales of wind towers, which reduced overall gross profit margins. Management believes sales of bellows expansion joints and pressure vessels will continue to diversify and wind tower production will continue to increase along with manufacturing efficiency.

TOTAL OPERATING EXPENSES

Operating expenses for the three months ended March 31, 2011, increased to \$0.90 million from \$0.22 million for the three months ended March 31, 2010. Operating expenses consist of selling, general and administrative expenses. The increase in operating expenses resulted from the increased selling costs of our products as a result of our rapidly increased sales, which included sales commission, travelling expenses of our sales persons and product shipping costs, and the general expansion of our business, including the expansion of our sales team, increased salary, employee welfare and depreciation expenses. Legal, audit and consulting expenses increased in 2011 as a result of our becoming a U.S. publicly listed company in 2010. Additionally, non-cash operating expenses included compensation of \$35,719 for stock options granted to our independent directors. Operating expenses as a percentage of net sales for the first quarter of 2011 was 23% compared to 94% for the first quarter of 2010. This decrease was the result of increased efficiencies resulting from higher sales.

NET INCOME

Net income for the three months ended March 31, 2011, increased to \$498,127 from \$95,153 for the three months ended March 31, 2010. Net income as a percentage of net sales for the first quarter of 2011 was 13% compared to 41% for the first quarter of 2010. The increase in net income was attributable to our increased sales of our products and increase in our subsidy income, which included a grant from the Administrative Committee of Liaoning Province Tieling Economic & Technological Development Zone to attract businesses with high-tech products, grants from the Liaoning Province Finance Bureau to support our special technology development project and a grant from the local government in recognition of our becoming a U.S.-listed company. The grants are not required to be repaid. However, our non-operating income was offset partially by interest expense from the long-term loan bearing annual interest at 10%. In addition, our consolidated tax rate is 23.5% because Creative Bellows has a preferential income tax rate of 15% through 2012 after registering its status as a new high-tech enterprise in 2010.

Year Ended December 31, 2010, compared to the Year Ended December 31, 2009

The following table presents the consolidated results of operations for the years ended December 31, 2010 and 2009.

| | 2010 | | 2009 | |
|-----------|------------|------------|-----------|------------|
| | \$ | % of Sales | \$ | % of Sales |
| Net sales | 22,291,095 | 100% | 2,730,954 | 100% |

Explanation of Responses:

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| | | | | |
|----------------------------|------------|------|-----------|-------|
| Cost of goods sold | 15,811,154 | 71% | 1,301,400 | 48% |
| Gross profit | 6,479,941 | 29% | 1,429,554 | 52% |
| Total operating expenses | 2,085,721 | 9% | 427,260 | 15% |
| Income from operations | 4,394,220 | 20% | 1,002,294 | 37% |
| Total non-operating income | 773,352 | 3% | 111,169 | 4% |
| Income tax expense | (948,731) | (4)% | (282,098) | (10)% |
| Net income | 4,218,841 | 19% | 831,365 | 31% |

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NET SALES

Net sales for the year ended December 31, 2010, increased to \$22.29 million from \$2.73 million for 2009, an increase of \$19.56 million or 716%. Net sales for the year ended December 31, 2010, consisted of \$20.65 million in sales of wind towers and \$1.64 million in sales of bellows expansion joints and pressure vessels, while our net sales for 2009 consisted entirely of bellows expansion joints and pressure vessels. The increase in net sales was attributable to our commencement in the second half of 2010 of production and sales of wind towers, which became our main product line in the second quarter of 2010 and continues to experience an increase in demand. Our wind tower products have higher unit prices but longer production cycles than our other products because our wind towers are customized to order and the selling prices vary based on customer specifications.

COST OF GOODS SOLD

Cost of goods sold for the year ended December 31, 2010, increased to \$15.81 million from \$1.3 million for 2009. Cost of goods sold includes material costs, primarily steel, and labor costs and related overhead. The increase in cost of goods sold is attributed to the introduction and significant increase of production and sales volume of our wind tower products in 2010. Cost of goods sold as a percentage of net sales for the year ended December 31, 2010, was 71% compared to 48% for 2009. The increase in cost of goods sold as a percentage of sales was mainly due to the commencement and increased sales and production of wind towers in 2010, which have a higher cost compared to our other products because of the raw material costs in proportion to total costs of our wind tower products was about 11% higher than for our other products. Additionally, cost of goods sold as a percentage of sales increased as sales volume increased and our mix of bellows expansion joints and pressure vessels shifted to include lower margin offerings in the product lines.

GROSS PROFIT

Gross profit for the year ended December 31, 2010, increased to \$6.48 million from \$1.43 million for 2009. Gross profit margin decreased to 29% for 2010 from 52% for 2009.

Our sales in 2009 consisted primarily of bellows expansion joints and pressure vessels, which reflected pricing, based on lower sales volume of higher margin products with unique customer design requirements and resulted in gross profit margins of 52%. The concentration of higher margin products and low sales volume in 2009 caused an unusually high gross profit margin that management does not believe is sustainable in the future. In 2010, gross profit margins for our bellows expansion joint and pressure vessel products decreased from 2009, as expected by management as we sold a more diversified mix of products. In 2010, the Company increased its sales of wind towers, which reduced overall gross profit margins. Management believes the sales of bellows expansion joints and pressure vessels will continue to diversify and, as wind tower production continues to increase along with manufacturing efficiency and the elimination of one-time startup costs of approximately \$100,000, the gross profit margins of all three product lines will converge toward our current blended gross profit margin of 29%.

TOTAL OPERATING EXPENSES

Operating expenses for the year ended December 31, 2010, increased to \$2.09 million from \$0.43 million for 2009. Operating expenses consist of selling, general and administrative expenses. The increase in operating expenses resulted from the increased selling costs of our products as a result of our rapidly increased sales, which included sales commission, travelling expenses of our sales persons and product shipping costs, and the general expansion of our business, including the expansion of our sales team, increased salary, employee's welfare and depreciation expenses. Legal, audit and consulting expenses increased in 2010 as a result of our becoming a U.S. publicly listed company in 2010. Additionally, non-cash operating expenses included compensation for stock options of \$168,842 for two of our

independent directors. Operating expenses as a percentage of net sales for 2010 was 9% compared to 15% for 2009. This decrease was the result of increased efficiencies resulting from higher sales.

NET INCOME

Net income for the year ended December 31, 2010, increased to \$4.22 million from \$0.83 million for 2009. Net income as a percentage of net sales for 2010 was 19% compared to 31% for 2009. The increase in net income was attributable to our increased sales of our products and increase in our subsidy income, which included a grant from the Administrative Committee of Liaoning Province Tieling Economic & Technological Development Zone to attract businesses with high-tech products and a grant from the Liaoning Province Finance Bureau to support our special technology development project. The grants are not required to be repaid. In addition, Creative Bellows registered its status as a new high-tech enterprise in 2010 and will have a preferential income tax rate of 15% through 2012.

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LIQUIDITY AND CAPITAL RESOURCES

Three Months Ended March 31, 2011, compared to the Three Months Ended March 31, 2010

Operations and liquidity needs are funded primarily through cash flows from operations, short-term borrowings, shareholder contributions and financing through capital markets. The cash was used primarily in operations and plant construction.

As of March 31, 2011, we had cash and equivalents of \$5,413,383, other current assets of \$24,859,220 and current liabilities of \$16,303,094. Working capital was \$13,969,509 at March 31, 2011. The ratio of current assets to current liabilities was 1.86-to-1 as of March 31, 2011.

The following is a summary of cash provided by or used in each of the indicated types of activities during the three months ended March 31, 2011 and 2010:

| | 2011 | 2010 |
|-----------------------------|----------------|--------------|
| Cash provided by (used in): | | |
| Operating activities | \$ (7,502,884) | \$ 1,485,658 |
| Investing activities | (202,624) | (1,349,514) |
| Financing activities | (287,898) | 922,927 |

Net cash used in operating activities was \$7.5 million in the first quarter of 2011, compared to net cash provided by operating activities of \$1.48 million in the first quarter of 2010. The increase in net cash used in operating activities during the three months ended March 31, 2011, was due mainly to increased accounts receivable outstanding, retentions receivable, advances to suppliers and inventory as a result of our increased production and sales, as well as the timely payment on accounts payables, other payable and taxes payable despite an increase in net income, as well as increased restricted cash as a performance guarantee to customers resulting from our increased sales.

Net cash used in investing activities was \$202,624 during the first quarter of 2011, compared to net cash used in investing activities of \$1.35 million during the first quarter of 2010. All the cash used in investing activities in the first quarter of 2011 was for the purchase of property and equipment. In the first quarter of 2010, we made payments of \$1.29 million and \$60,119 for property and equipment purchases, and a \$2.24 million prepayment for construction of a workshop.

Net cash used in financing activities was \$0.29 million in the first quarter of 2011, compared to net cash provided by financing activities of \$0.92 million in the first quarter of 2010. The increase in cash outflow in 2011 consisted of repayment to shareholder of \$101,555 and bank loan of \$243,043, despite cash proceeds from warrants exercise of \$56,700. In the first quarter of 2010, we borrowed \$5,565,156 from a bank and repaid the loan in full, and received a shareholder cash contribution of \$922,927.

Our standard payment terms in our arrangements with our wind tower customers generally provide that 10% of the purchase price is due upon our deposit of restricted cash into a bank account as a contract guarantee, 20% upon our purchase of raw material for the order, 10% upon delivery of the base ring component of the wind towers, 30% upon delivery of the wind tower tube sections and 20% upon customer inspection and acceptance of the product, which customers normally complete within 1-2 weeks after delivery. As a common practice in the manufacturing business in China, payment of the final 10% of the purchase price is due no later than the termination date of the product warranty period, which can be up to 24 months from the customer acceptance date. For our bellows expansion joints and pressure vessels, payment terms are negotiated on a case-by-case basis and these payment percentages and terms may differ for each customer. We may experience payment delays from time to time of up to six months from the due date,

but we expect to receive all payments based on the contracted terms despite any customer delays in payment. We do not anticipate any significant credit risk because the majority of our customers are large, well-capitalized state-owned and publicly traded utility and industrial companies with stable operations. Furthermore, we do not believe the delays have a significant negative impact on our liquidity as payment delays are very common in the manufacturing industry in China.

As of March 31, 2011, we had an accounts receivable of \$15,143,169 (before bad debt allowance of \$8,974), of which \$3,206,142 was current, \$8,979,330 had aging over 30 days, \$2,739,246 had aging over 90 days and \$218,451 had aging over 180 days.

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Year Ended December 31, 2010, compared to the Year Ended December 31, 2009

Operations and liquidity needs are funded primarily through cash flows from operations, short-term borrowings, shareholder contributions and financing through the capital market. The cash was used primarily in operations and plant construction.

As of December 31, 2010, we had cash and equivalents of \$13,308,568, other current assets of \$18,754,001 and current liabilities of \$8,138,468. Working capital was \$23,924,101 at December 31, 2010. The ratio of current assets to current liabilities was 3.9-to-1 as of December 31, 2010.

The following is a summary of cash provided by or used in each of the indicated types of activities during the years ended December 31, 2010 and 2009:

| | 2010 | 2009 |
|-----------------------------|-----------------|--------------|
| Cash provided by (used in): | | |
| Operating activities | \$ (12,409,353) | \$ (565,706) |
| Investing activities | (5,959,687) | (1,385,676) |
| Financing activities | 30,260,731 | 3,220,612 |

Net cash used in operating activities was \$12.41 million in 2010, compared to net cash used in operating activities of \$0.57 million in 2009. The increase in net cash used in operating activities during 2010 was due mainly to increased outstanding accounts receivable, retentions receivable, advances to suppliers and inventory as a result of our increased production and sales from the second quarter of 2010 despite a significant increase in net income, as well as increased restricted cash as a performance guarantee to customers resulting from our increased sales.

Net cash used in investing activities was \$5.96 million during 2010, compared to net cash used in investing activities of \$1.39 million during 2009. The cash used in investing activities in 2010 was for the purchase of property and equipment of \$1.81 million, payments for filing fees on patent applications and for all other acquisitions of intangible assets of \$14,772, payment for tax on farm land occupation and land use right of \$60,629 and construction of plant and building of \$4.08 million, while cash used in investing activities in 2009 was mainly for the purchase of property and equipment of \$52,581, construction of plant of \$1.25 million and a long-term investment of \$87,353 in a local credit union.

Net cash provided by financing activities was \$30.26 million in 2010, compared to net cash provided by financing activities of \$3.22 million in 2009. The increase in cash inflow in 2010 consisted of a \$10 million long-term loan, \$0.55 million borrowed from our CEO, net cash proceeds of \$0.53 million from bank loans net of repayment, \$2.13 million in cash contributions by shareholders and net proceeds of \$17.05 million received through issuance of common stock. In 2009, we received \$3.22 million in proceeds from bank loans.

Our standard payment terms in our arrangements with our wind tower customers generally provide that 10% of the purchase price is due upon our deposit of restricted cash into a bank account as a contract guarantee, 20% upon our purchase of raw material for the order, 10% upon delivery of the base ring component of the wind towers, 30% upon delivery of the wind tower tube sections and 20% upon customer inspection and acceptance of the product, which customers normally complete within 1-2 weeks after delivery. As a common practice in the manufacturing business in China, payment of the final 10% of the purchase price is due no later than the termination date of the product warranty period, which can be up to 24 months from the customer acceptance date. For our bellows expansion joints and pressure vessels, payment terms are negotiated on a case-by-case basis and these payment percentages and terms may differ for each customer. We may experience payment delays from time to time of up to six months from the due date, but we expect to receive all payments based on the contracted terms despite any customer delays in payment. We do

not anticipate any significant credit risk because the majority of our customers are large, well-capitalized state-owned and publicly traded utility and industrial companies with stable operations. Furthermore, we do not believe the delays have a significant negative impact on our liquidity as payment delays are very common in the manufacturing industry in China.

As of December 31, 2010, we had an accounts receivable of \$13,997,023 (before bad debt allowance of \$8,884), of which \$12,184,081 was current, \$83,276 had aging over 30 days, \$1,519,904 had aging over 90 days and \$209,762 had aging over 180 days.

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Private Placements

On July 12, 2010, we completed a private placement pursuant to which we sold 3,333,322 units, each such unit consisting of one share of our common stock and a warrant to purchase 15% of one share of our common stock, at \$3.00 per unit for a total of \$10,000,000. The warrants are immediately exercisable, expire on the third anniversary of their issuance and entitle the holders to purchase an aggregate of up to 499,978 shares of our common stock at \$3.00 per share. We may call the warrants at any time after (i) the registration statement registering the common stock underlying the warrants becomes effective, (ii) the common stock is listed on a national securities exchange and (iii) the trading price of the common stock exceeds \$4.00. We also issued warrants, having the same terms and conditions as the warrants issued in the private placement, to purchase 333,332 shares of our common stock to the placement agents in the private placement.

On December 13, 2010, we completed a closing of \$20,000,000 through accredited institutional investors in a combination of debt and equity offerings for working capital to allow us to bid on new wind tower contracts. In a private placement of equity, we sold 2,500,000 units, each such unit consisting of one share of our common stock and a warrant to purchase 67.5% of one share of our common stock, at \$4.00 per unit for a total of \$10,000,000. The warrants are immediately exercisable, expire on the fifth anniversary of their issuance and entitle the holders to purchase an aggregate of up to 1,687,500 shares of our common stock at \$4.00 per share. We also issued warrants, having the same terms and conditions as the warrants issued in the private placement, to purchase 300,000 shares of our common stock to the placement agent in the private placement. Concurrently with this private placement, we entered into a long-term loan agreement, evidenced by a loan agreement and a promissory note, with NYGG (Asia), Ltd. for \$10,000,000. The loan bears interest at an annual rate of 10% payable quarterly and has a maturity date of March 1, 2012.

Recent Accounting Pronouncements

In April 2010, FASB issued Accounting Standards Update (“ASU”) No. 2010-13, Compensation – Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades. This update provides amendments to Accounting Standards Codification (“ASC”) Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity’s equity securities trades should not be considered to contain a condition that is not a market, performance or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments in this update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. The cumulative-effect adjustment should be presented separately. Earlier application is permitted. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In December 2010, FASB issued ASU No. 2010-28, Intangibles – Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. The amendments in this update affect all entities that have recognized goodwill and have one or more reporting units whose carrying amount for purposes of performing Step 1 of the goodwill impairment test is zero or negative. The amendments in this update modify Step 1 so that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The qualitative factors are consistent with existing guidance,

which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. Upon adoption of the amendments, any resulting goodwill impairment should be recorded as a cumulative-effect adjustment to beginning retained earnings in the period of an adoption. Any goodwill impairments occurring after the initial adoption of the amendments should be included in earnings. The adoption of this ASU did not have a material impact on our consolidated financial statements.

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In December 2010, FASB issued ASU No. 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in this update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We adopted this ASU on January 1, 2011. As of March 31, 2011, we are not entered into any business combination transactions.

On March 5, 2010, FASB issued ASU No. 2010-11, Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives. This ASU clarifies the guidance within the derivative literature that exempts certain credit-related features from analysis as potential embedded derivatives requiring separate accounting. The ASU specifies that an embedded credit derivative feature related to the transfer of credit risk that is only in the form of subordination of one financial instrument to another is not subject to bifurcation from a host contract under ASC 815-15-25, Derivatives and Hedging – Embedded Derivatives – Recognition. All other embedded credit derivative features should be analyzed to determine whether their economic characteristics and risks are “clearly and closely related” to the economic characteristics and risks of the host contract and whether bifurcation is required. The ASU was effective for us on July 1, 2010. Early adoption is permitted. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In January 2010, FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This update provides amendments to ASC Topic 820 that will provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements and (4) the transfers between Levels 1, 2 and 3. This standard is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In January 2010, FASB issued ASU No. 2010-01, Equity (Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash. The update clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected prospectively in earnings per share and is not considered a stock dividend for purposes of ASC Topic 505 and Topic 260, Earnings Per Share. This standard is effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis. The adoption of this standard did not have a material impact to our financial position or results of operations.

On February 25, 2010, FASB issued ASU 2010-09, Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements, effective immediately. The amendments in the ASU remove the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. The FASB believes these amendments remove potential conflicts with the SEC’s literature. The adoption of this ASU did not have a material impact on our consolidated financial statements.

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In April 2010, FASB codified the consensus reached in Emerging Issues Task Force Issue No. 08-09: Milestone Method of Revenue Recognition. FASB ASU No. 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. FASB ASU No. 2010-17 is effective for fiscal years beginning on or after June 15, 2010, and is effective on a prospective basis for milestones achieved after the adoption date. We do not expect this ASU will have a material impact on our financial position or results of operations as a result of its adoption on January 1, 2011.

In October 2009, FASB issued ASU No. 2009-13 on ASC 605, Revenue Recognition – Multiple Deliverable Revenue Arrangement – a consensus of the FASB Emerging Issues Task Force (ASU 2009-13). ASU 2009-13 amended guidance related to multiple-element arrangements that require an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. The consensus eliminates the use of the residual method of allocation and requires the relative-selling-price method in all circumstances. All entities must adopt the guidance no later than the beginning of their first fiscal year beginning on or after June 15, 2010. Entities may elect to adopt the guidance through either prospective application for revenue arrangements entered into, or materially modified, after the effective date or through retrospective application to all revenue arrangements for all periods presented. We are currently evaluating the impact, if any, of ASU 2009-13 on our financial position and results of operations.

Off-Balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts indexed to our shares and classified as stockholders' equity or not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Contractual Obligations

On September 21, 2009, we entered into a construction contract with a local authority, the LSVPB, to build a plant for us in Tieling, Liaoning Province, China. Under the terms of the construction agreement, LSVPB was responsible for the construction of the plant and we pledged the plant as collateral for our payment to LSVPB of \$1,868,388 (RMB 12,249,900) in plant construction costs over five equal annual installment payments starting in October 2010. As of March 31, 2011, we have not yet made the first payment to LSVPB under consent from LSVPB.

On May 24, 2010, we borrowed \$387,997 with interest of 5.346% from a bank. The maturity date was November 24, 2010. The loan was collateralized by raw material inventory and the personal guarantee of the Company's CEO together with a third party's guarantee. As of November 23, 2010, the loan was repaid, and on November 24, 2010, we borrowed \$362,390 from the same bank with interest of 5.610%. The maturity date of the new loan is May 24, 2011. The loan is collateralized by raw material inventory. On December 23, 2010, we repaid \$120,797 to the bank. On January 26, 2011, the remaining part of the loan was repaid.

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On September 13, 2010, we borrowed \$1,754,011, \$915,136 and \$991,398 from three different credit unions. Each loan bears interest of 7.2% and matures September 12, 2011. These loans were collateralized by one of our buildings and our land use right.

On December 13, 2010, we entered into a long-term loan agreement with a lender of \$10,000,000 for working capital to allow us to bid on new wind tower contracts. The loan bears interest of 10% payable quarterly with a maturity date of March 1, 2012. The lender may demand payment of the outstanding principal and interest at any time if and after we complete any subsequent financing of at least \$10 million in one or a series of transactions prior to the maturity date.

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OUR BUSINESS

General

We are a manufacturer of structural towers for megawatt-class wind turbines as well as other highly engineered metal components used in the energy industry and other industries in the PRC. We currently design, manufacture, test and sell structural towers for 1, 1.5 and 3MW on-land wind turbines, and believe that we have the expertise and manufacturing capacity to provide towers for higher-powered on-land and off-shore turbines. We currently are the only wind tower manufacturer within Tieling, Liaoning Province, which we believe provides us with a competitive advantage in supplying towers to the wind-energy-rich northern provinces of China. We also manufacture specialty metal products that require advanced manufacturing and engineering capabilities, including bellows expansion joints and connecting bend pipes used for waste heat recycling in steel production and in ultra-high-voltage electricity transmission grids, as well as industrial pressure vessels. Our products provide solutions for China's increasing demand for clean energy.

We sell our products exclusively in the PRC domestic market. Our current wind tower customers include two of China's five largest state-owned utilities, which are among the top wind farm operators in China as measured by installed wind capacity. We produce wind towers, a component of wind turbine installations, but do not compete with wind turbine manufacturers. Our specialty metal products are used by large-scale industrial companies involved mainly in the steel and coke, petrochemical, high-voltage electricity transmission and thermoelectric industries.

We were founded in September 2007 and have since experienced significant growth. For the year ended December 31, 2010, our net sales were \$22.3 million, a 716% increase over the year ended December 31, 2009, and we had a 29% gross margin and a 19% net margin. For the three months ended March 31, 2011, our net sales were \$3.93 million, a 1594% increase over the three months ended March 31, 2010, and we had a 27% gross margin and a 13% net margin. Sales of our wind tower products have increased rapidly. As of March 31, 2011, we had shipped 203 wind towers, including towers for 3MW wind turbines, since first introducing these products in February 2010. Wind towers accounted for approximately 93% of our net sales for the year ended December 31, 2010, and approximately 88% of our net sales for the three months ended March 31, 2011. We expect a majority of our revenues to continue to come from sales of our wind towers.

We believe that our rapid growth will continue to benefit from the following competitive strengths:

- § Strong customer relationships with leading utility and industrial companies;
- § Geographical proximity to the multi-gigawatt pipeline of wind development projects in the northern provinces of China;
- § Technically advanced, precision manufacturing expertise demonstrated, in part, by our Class III A2 grade pressure vessel manufacturing license, a key criterion in customer selection of wind tower suppliers;
 - § Proprietary product designs and intellectual property; and
 - § High-quality manufacturing, stringent testing, timely delivery and customer service.

Notwithstanding the recent increase in our net sales, we may experience payment delays and we do not recognize revenue until our products are delivered, tested and accepted by our customers. Our agreements with our customers generally provide for advance and partial payments of the purchase price to be due at agreed-upon milestones throughout the project duration, with the final 10% of the contractual amount to be paid up to 24 months after customer acceptance. Customer acceptance occurs after the customer receives and puts the product through quality inspection, a process that normally takes one to two weeks. Payments received prior to customer acceptance are recorded as unearned revenue. Payments may be received up to six months after their respective due dates, but we do not anticipate any significant credit risk because the majority of our customers are state-owned and publicly traded

utilities and industrial companies in China.

Our headquarters are in Tieling, Liaoning Province, China, where we currently operate two production facilities with 17,246 square meters of combined production space. As of March 31, 2011, we had 220 full time employees.

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Our History

We are a U.S. holding company with no material assets other than the ownership interests of our two wholly owned subsidiaries organized under the laws of the PRC: Creative Bellows and Creative Wind Power. Creative Bellows was incorporated on September 17, 2007, and is our WFOE; Creative Bellows owns 100% of Creative Wind Power, which was incorporated on May 26, 2009. Creative Bellows provides the production expertise, employees and facilities to manufacture our wind towers, bellows expansion joints, pressure vessels and other fabricated metal specialty products. Creative Wind Power markets and sells the wind towers designed and manufactured by Creative Bellows.

We were incorporated in the State of Nevada on May 9, 2006, under the name Everton Capital Corporation, as an exploration stage company with no revenues and no operations, engaged in the search for mineral deposits or reserves. On June 18, 2010, in anticipation of the Share Exchange Agreement and related transactions described below, we changed our name to CleanTech Innovations, Inc. through a merger with our wholly owned, non-operating subsidiary established solely to change our name pursuant to Nevada law and authorized an 8-for-1 forward split of our common stock effective July 2, 2010. Prior to the forward split, we had 5,501,000 shares of our common stock outstanding, and, after giving effect to the forward split, we had 44,008,000 shares of our common stock outstanding. We authorized the forward stock split to provide a sufficient number of shares to accommodate the trading of our common stock in the OTC marketplace after the acquisition of Creative Bellows as described below.

The acquisition of Creative Bellows was accomplished pursuant to the terms of the Share Exchange Agreement dated July 2, 2010, as amended. Pursuant to the Share Exchange Agreement, on July 2, 2010, we issued 15,122,000 shares of our common stock to the three owners of Creative Bellows and two of their designees in exchange for their agreement to enter into and consummate a series of transactions, described below, by which we acquired 100% of Creative Bellows. Concurrently with the Share Exchange Agreement and as a condition thereof, we entered into an agreement with Jonathan Woo, our former president and director, pursuant to which he returned 40,000,000 shares of our common stock to us for cancellation in exchange for \$40,000. Upon completion of the foregoing transactions, we had 19,130,000 shares of our common stock issued and outstanding.

On July 15, 2010, the PRC State Administration of Industry and Commerce, or the AIC, issued a Sino-foreign joint venture business license for Creative Bellows, indicating that a capital injection by Wonderful Limited, a British Virgin Islands company, was approved and registering its ownership of a 4.999% equity interest in Creative Bellows. On August 18, 2010, the AIC issued an approval registration of our capital injection of approximately \$23.3 million in cash in exchange for approximately 87% of Creative Bellows. Finally, on October 15, 2010, we obtained PRC government approval to acquire the remaining minority interest in Creative Bellows held by its original shareholders and Wonderful Limited for approximately \$6 million in cash. Pursuant to the Waiver and Release Agreements dated as of October 27, 2010, the selling minority shareholders of Creative Bellows waived their rights to receive cash for their equity interests in exchange for a mutual release of claims. As a result of these transactions, Creative Bellows became our 100% subsidiary effective as of October 15, 2010. We are required to contribute \$14.2 million as additional contribution of capital to Creative Bellows by July 2012.

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Our organizational structure as of the date of this prospectus is set forth in the following diagram:

For accounting purposes, the Share Exchange Agreement and subsequent transactions described above were treated as a reverse acquisition and recapitalization of Creative Bellows because, prior to the transactions, we were a non-operating public shell and, subsequent to the transactions, the shareholders of Creative Bellows owned a majority of our outstanding common stock and exercise significant influence over the operating and financial policies of the consolidated entity.

Our Industry

Overview

Power generating capacity in China increased from 443GW in 2004 to 962GW in 2010, according to the China Electricity Council. Currently, China's energy infrastructure is reliant predominantly on coal; however, China has limited fossil fuel reserves. As a result, China's government has implemented social, economic, environmental, regulatory and government stimulus-related policies to drive demand for technologies that promote renewable energy production, pollution reduction and energy conservation. As identified in its 10th, 11th and 12th Five-Year Plans, China has placed a priority on renewable energy, diversification of the power supply and sustainable economic and social development. Simultaneously, China's government is fostering pollution-reduction policies to limit carbon dioxide, wastewater discharge and other pollutant emissions while continuing to grow PRC domestic steel production and coal-based power capacity.

China adopted its first Renewable Energy Law in 2005, fostering the development of renewable energy such as wind power. In 2007, the National Development and Reform Commission, or the NDRC, released its "Medium and Long-Term Development Plan for Renewable Energy in China," or the "2007 NDRC Plan," setting a 15% target for renewable energy consumption by 2020. The growth in wind-generated electricity will also contribute towards China's goal to cut its carbon dioxide emissions. As announced in November 2009, China's "Carbon Intensity Goal" is to cut carbon dioxide emissions per unit of GDP by 40% to 45% by 2020 compared to 2005 levels. According to the U.S. Department of Energy's "Wind Power Today 2009," a standard 1.5MW wind turbine, the most common in China, can displace 2,700 metric tons of carbon dioxide per year. These government policies are intended to help stimulate sustainable wind power and clean technology development and investment. We believe these government policies will continue to increase demand for our products, including structural wind towers and fabricated metal specialty components.

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Global Wind Power Market

Wind power is the world's fastest-growing energy sector. We believe wind power is cost-efficient and mature compared to other types of renewable energy technologies. Global installed wind capacity grew at a 22.5% CAGR from 2000 through 2010 according to the GWEC 2010 Global Wind Report. In 2010, according to the GWEC 2010 Global Wind Report, global installed wind capacity grew 23%, adding 35.8GW and bringing total installed wind capacity to 194.4GW. China accounted for 46% of all newly installed wind capacity and 22% of total worldwide wind capacity, first among all countries, respectively, according to the GWEC 2010 Global Wind Report. The WWEA expects the global market for wind energy to continue to grow at approximately 20% CAGR through 2020, reaching 1,500GW in total installed capacity, according to its "World Wind Energy Report 2010," or the "WWEA 2010 Wind Report." Furthermore, wind energy is projected to represent up to 12% of global electricity production by 2020, according to the GWEC "Global Wind Energy Outlook 2010," or the "GWEC 2010 Global Wind Outlook." China is expected to remain a key driver of global wind growth for the foreseeable future. The following table illustrates global annual installed capacity additions and cumulative installed capacity.

| Year | Global Annual Installed Capacity Additions (MW) | Global Cumulative Installed Capacity (MW) | Annual Growth (%) |
|------|---|---|-------------------|
| 2010 | 35,802 | 194,390 | 22.5 |
| 2009 | 38,610 | 158,738 | 32.0 |
| 2008 | 26,560 | 120,291 | 28.2 |
| 2007 | 19,866 | 93,820 | 26.7 |
| 2006 | 15,245 | 74,052 | 25.3 |
| 2005 | 11,531 | 59,091 | 24.1 |
| 2004 | 8,207 | 47,620 | 20.8 |
| 2003 | 8,133 | 39,431 | 26.8 |
| 2002 | 7,270 | 31,100 | 30.1 |
| 2001 | 6,500 | 23,900 | 37.4 |
| 2000 | 3,760 | 17,400 | 27.9 |

Source: GWEC 2010 Global Wind Report

The following table illustrates 2010 global annual installed capacity additions and cumulative installed capacity by country.

| Country | 2010 Installed Capacity Additions (MW) | Percent of Total Market (%) | 2010 Cumulative Installed Capacity (MW) | Percent of Total Market (%) |
|----------------|--|-----------------------------|---|-----------------------------|
| China * | 16,500 | 46.1 | 42,287 | 21.8 |
| United States | 5,115 | 14.3 | 40,180 | 20.7 |
| India | 2,139 | 6.0 | 13,065 | 6.7 |
| Spain | 1,516 | 4.2 | 20,676 | 10.6 |
| Germany | 1,493 | 4.2 | 27,214 | 14.0 |
| France | 1,086 | 3.0 | 5,660 | 2.9 |
| United Kingdom | 962 | 2.7 | 5,204 | 2.7 |

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|---------------|--------|-------|---------|-------|
| Italy | 948 | 2.6 | 5,797 | 3.0 |
| Canada | 690 | 1.9 | 4,009 | 2.1 |
| Rest of World | 5,353 | 15.0 | 30,298 | 15.5 |
| Total | 35,802 | 100.0 | 194,930 | 100.0 |

Source: GWEC 2010 Global Wind Report

* Provisional figures

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China Wind Power Market

China currently represents the world's largest market for wind products. In 2010, China became the largest wind-producing country by cumulative installed wind capacity, according to the GWEC 2010 Global Wind Report, installing nearly half the new global wind installations. Installed wind capacity within China grew at a 63.9% CAGR from 2000 through 2010, or more than double the overall global rate, according to the GWEC 2010 Global Wind Report. In 2010, according to the GWEC 2010 Global Wind Report, the China wind market grew 64%, adding 16.5GW of new capacity and bringing total installed wind capacity to 42.3GW. According to the GWEC 2010 Global Wind Report, China will continue to add wind capacity with the PRC domestic wind market expected to reach 200GW in installed capacity by 2020. We believe that it costs approximately \$1 billion to install 1GW of wind capacity in China, which will result in capital investments of approximately \$200 billion by 2020 in new wind turbine installations, of which wind towers constitute approximately 15-20% of the costs, according to the WWEA "Wind Energy – Technology and Planning." The following table illustrates China's annual installed capacity additions and cumulative installed capacity.

| Year | China Annual Installed Capacity Additions (MW) | China Cumulative Installed Capacity (MW) | Annual Growth (%) |
|-------|--|--|-------------------------|
| 2010* | 16,500 | 42,287 | 63.9 |
| 2009 | 13,803 | 25,805 | 114.7 |
| 2008 | 6,153 | 12,020 | 103.4 |
| 2007 | 3,311 | 5,910 | 127.4 |
| 2006 | 1,288 | 2,599 | 106.3 |
| 2005 | 507 | 1,260 | 64.9 |
| 2004 | 197 | 764 | 34.7 |
| 2003 | 98 | 567 | 20.9 |
| 2002 | 66 | 469 | 16.7 |
| 2001 | 53 | 402 | 16.2 |
| 2000 | 73 | 346 | 15.3 |

Source: GWEC 2010 Global Wind Report

* Provisional figures

According to the Third National Wind Energy Resource Census conducted by the China Meteorological Administration in 2006, the amount of theoretically exploitable on-land and off-shore wind energy resources in China at a height of 10 meters was 4,350GW. Using numerical simulations based on the Third National Wind Energy Resource Census, the National Climate Center of the China Meteorological Administration concluded that the technically exploitable capacity at a height of 10 meters was 2,548GW. Overall, studies such as these highlight the substantial potential for wind power in China. However, wind energy resources are widely distributed in China, with resource-rich areas concentrated in the three northern (northeast, north, and northwest), southeast coastal and inland regions. The most abundant wind energy resources in northern China include the regions of Inner Mongolia, Gansu, Xinjiang, Hebei, Jilin, Liaoning, Heilongjiang and Ningxia. According to Zenith International Research, "Wind Power Capacity Analysis, February 25, 2009," or the "Zenith 2009 Wind Analysis," approximately 80% of all wind energy resources in China exist within the nine northern provinces of China, five of which are located within 500 miles of our manufacturing facilities. The following table illustrates the cumulative wind power grid-connected capacity for the provinces with the most abundant wind energy resources.

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| Regions | 2009 Cumulative Wind Power Grid-Connected Capacity (MW) | 2009 Cumulative Wind Power Grid-Connected Capacity (%) |
|------------------|--|---|
| Inner Mongolia * | 9,196.2 | 35.6 |
| Hebei * | 2,788.1 | 10.8 |
| Liaoning * | 2,425.3 | 9.4 |
| Jilin * | 2,063.9 | 8.0 |
| Heilongjiang * | 1,659.8 | 6.4 |
| Shandong | 1,219.1 | 4.7 |
| Gansu | 1,188.0 | 4.6 |
| Jiangsu | 1,096.8 | 4.3 |
| Xinjiang | 1,002.6 | 3.9 |
| Ningxia | 682.2 | 2.6 |
| Guangdong | 569.3 | 2.2 |
| Fujian | 567.3 | 2.2 |
| Shanxi | 320.5 | 1.2 |
| Zhejiang | 234.2 | 0.9 |
| Hainan | 196.2 | 0.8 |
| Other Regions | 595.3 | 2.3 |

Source: GWEC 2010 China Wind Outlook

* Neighboring province to CleanTech's manufacturing facilities

China has committed more investment to renewable energy than any other country since 2008, according to the GWEC "China Wind Power Outlook 2010," or the "GWEC 2010 China Wind Outlook." Current guidelines published in the 2007 NDRC Plan mandate that renewable resources, including wind, generate 10% of total energy consumption by 2010 and 15% by 2020. A major part of China's commitment to achieving these targets involves the creation of a 138GW Wind Base program, which aims to build seven GW-scale wind power bases within six provinces by 2020, each with at least 10GW of capacity, according to the GWEC 2010 China Wind Outlook. Planned wind power bases in Hebei, Western Jilin and Inner Mongolia represent over 30GW of new capacity located near our manufacturing facilities. The planning and development for the program is underway and, as of 2010, 83 projects representing 14.3GW had been planned, according to the GWEC 2010 China Wind Report. The following map illustrates the electricity delivery plan from the seven main wind power bases in China.

Source: Chinese Renewable Energy Industries
Association

* CleanTech's manufacturing facilities

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Wind Power Development in China

In 2009, there were approximately 330 wind project developers in China, twenty of which had newly installed capacity of more than 100MW, according to CREIA. In 2010, construction started on 378 new wind power projects in China with a total investment of up to \$46 billion, according to CREIA. However, the five largest state-owned utilities have significant impact on the development of wind power resources in China, accounting for more than 58% of newly installed capacity in 2009, according to the GWEC 2010 China Wind Outlook. Our customers currently include two of these five utilities, China Guodian Corporation and China Huaneng Group, which together represented approximately 31% of newly installed capacity in 2009. The following table illustrates PRC domestic wind development market share among the largest operators.

| Companies | 2009 Newly Installed Capacity (MW) | Percentage of 2009 Newly Installed Capacity (%) |
|--|------------------------------------|---|
| China Guodian Corporation * | 2,600.4 | 18.8 |
| China Datang Corporation | 1,739.8 | 12.6 |
| China Huaneng Group * | 1,644.8 | 11.9 |
| China Huadian Corporation | 1,230.0 | 8.9 |
| China Guangdong Nuclear Power Holding Co., Ltd. | 854.5 | 6.2 |
| Beijing Energy Investment Holding Co., Ltd. | 757.5 | 5.5 |
| Shenhua Group Corporation Limited | 590.3 | 4.3 |
| China Energy Conservation & Environmental Protection Group | 400.3 | 2.9 |
| China Power Investment Corporation | 386.1 | 2.8 |
| China Resources Power Holdings Co., Ltd. | 309.8 | 2.2 |

Source: GWEC 2010 China Wind Outlook

* Current CleanTech customers

Wind Tower Market Opportunity in China

Based on the GWEC's estimate of 200GW of installed capacity by 2020 and an average tower selling price of approximately \$90,000 per MW, based upon our contracted backlog, we believe the total PRC domestic market for wind towers could represent \$18 billion by 2020. Within 500 miles of our manufacturing facilities, where we believe we have competitive advantages, we estimate that approximately 130GW of total exploitable capacity exists, based on the Zenith 2009 Wind Analysis. In addition, the NDRC planned the construction of over 30GW of specific Wind Base projects located near our facilities by 2020. Assuming an average selling price of approximately \$90,000 per MW, this represents a total addressable market of \$11.7 billion in our current region alone and \$2.7 billion for specific Wind Base projects by 2020.

Renewable Energy Policy and Regulation in China

National renewable energy policies and a supportive regulatory framework have driven the growth of renewable energy in China. Several initiatives mandated by China's Renewable Energy Law, first adopted in 2005, such as feed-in tariffs, aggressive targets for renewable energy, priority dispatch and mandatory purchase for wind power, favorable taxation and abolishment of the 70% local content requirement have established the foundation for the rapid development of wind power. The key initiatives are outlined below:

§

Explanation of Responses:

Feed-in tariffs: In 2009, China replaced its centrally controlled bidding pricing system with a wind feed-in tariff ranging from RMB 0.51/kWh to RMB 0.61/kWh in four wind energy resource zones, representing a significant premium to coal power.

- § Aggressive targets for renewable energy: The 2007 NDRC Plan sets forth a renewable energy consumption target, including energy generated by wind, of at least 15% of China's energy supply by 2020. Further, the 2007 NDRC Plan sets forth an obligation for larger power-generating companies to have 3% of non-hydro renewable energy in the total power generation mix by 2010 and 8% by 2020.
- § Priority dispatch and mandatory purchase: Grid operators must give priority to electricity generated from renewable energy projects in their grid areas and must provide grid-connection services and related technical support. The law also requires grid operators to purchase power from qualified wind farms and institute clear and transparent pricing policies for wind-produced electricity that are intended to provide wind farm operators with a more predictable rate of return.
- § Favorable taxation: Wind farms are exempt from income tax for three years from their first income-generating year and receive a 50% reduction in such tax for three years thereafter. In addition, electricity generated from wind power is subject to a VAT rate of 8.5%, and wind power equipment, such as wind towers, is subject to a VAT rate of 17%. The corporate income tax rate is reduced to 15% from 25% for wind companies, if they are categorized as advanced and new technology enterprises supported by the PRC government.
- § Abolishment of the 70% local content requirement: The 70% local content requirement first introduced in 2004 when most wind turbines in China were imported was abolished in 2009. This has increased competitiveness and helped China become the world's largest wind market.

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At the end of 2009, China made a commitment to the international community at the Copenhagen Conference on climate change that non-fossil energy would satisfy 15% of the country's energy demand by 2020. This "Carbon Intensity Goal" has become a binding target for short-term and medium-term national social and economic planning, together with a subsequently formulated target to reduce carbon dioxide emissions. This goal will require significant increases in the scale and pace of future renewable energy development, including continued support for wind power development.

China Market for Bellows Expansion Joints and Pressure Vessels

The growing demand for energy has increased alongside China's developing economy, created in part by fiscal stimulus policies to foster industrialization, infrastructure projects and manufacturing in China. China is the world's largest steel producer, producing 626.7 million tons in 2010, an increase of 9.3% over 2009, according to China's National Bureau of Statistics. According to the Zenith 2009 Wind Analysis, the steel industry contributes 15% of the total carbon emissions in China. According to the U.S. Department of Energy's "Steel Industry Technology Roadmap," the largest single environmental issue with steel production is the carburizing of coal into coke for use in iron production. As a result of concerns about pollution and energy recycling, especially in the electric utility, iron and steel industries, China is taking steps to implement more modern production processes designed to improve safety, reduce emissions and conserve energy. In addition, in 2010, China's Ministry of Industry and Information Technology, or MIIT, announced a mandate for China's steel industry to promote energy efficiency and emission reductions.

The NDRC has encouraged the iron and steel industries to utilize a widely adopted energy saving process used in the production of iron, called Coke Dry Quenching, or CDQ, to promote energy conservation, reduce pollution and expand steel industry production. The CDQ process cools coke in an enclosed heat exchange system, which reduces harmful emissions and wastewater runoff while reclaiming energy for hot water or electricity generation, versus the conventional process using water to drench the coke. In addition, China's MIIT mandated a consolidation of the iron and steel industries in order to reduce the number of small, inefficient iron and steel mills that do not have the resources to adapt to the new policies encouraging efficiency and pollution reduction. Bellows expansion joints are key components in the CDQ process, a prevalent technology used by the steel industries in Japan, Taiwan, Germany, Brazil and Finland. The primary markets for CDQ high temperature bellows expansion joints are new iron and steel mills in the PRC domestic market, the modernization of existing mills and regular replacement of CDQ high temperature bellows expansion joints, which we estimate have useful life expectancies of approximately two years. Connecting bend pipes, another type of expansion joint, are used in piping systems to carry gas away from coke ovens used in iron and steel mills. Connecting bend pipes are safer than rigid expansion joints and are also easier to install and replace than rigid metal pipe expansion joints, thereby reducing the cost of maintaining systems, which need replacement approximately every two years. The primary market for connecting bend pipes are iron and steel mills in the process of being modernized and upgraded for safety.

China is also in the process of upgrading its electricity grid to ultra-high-voltage transmission systems, which allow for a more efficient transportation of electricity and a reduction in energy lost during transmission over long distances. The upgrading of the grid is tied directly to the growth in renewables, especially wind power, in order to deliver electricity more efficiently from distant generation locations to population load centers. Disk spring sleeve bellows expansion joints are used in ultra-high-voltage Gas Insulated Switchgear, or GIS, to reduce safety issues caused by conventional bellows used in GIS by better accommodating the unique gas pressure movements within the switchgear. GIS are key safety devices in these ultra-high-voltage transmission systems. GIS work as a circuit breaker to isolate electrical equipment and balance electrical loads. The primary market for disk spring sleeve bellows expansion joints is provincial and municipal power companies that are upgrading their transmission systems.

A pressure vessel is a container designed to hold liquid or gas at significantly higher or lower pressures than at normal sea level. Pressure vessels are used for many industrial manufacturing purposes, including as storage tanks,

compressed gas receivers and separators, in the petrochemical, electrical, steel, aerospace and metallurgical industries. Pressure vessels must be carefully designed, manufactured and operated properly in order to avoid explosions. The engineering specifications for pressure vessels are heavily regulated and vary from country to country. Pressure vessels may be made of steel or carbon composite materials. Spherical pressure vessels require forged parts constructed from high quality steel and welded together using highly sophisticated welding techniques.

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According to the Zero Power Intelligence Co. “China Bellows Industry Investment Analyst and Research Report 2010,” the aggregate market for bellows expansion joints in China was approximately \$3.0 billion in 2009 with an expected annual growth rate of approximately 10%. The market for pressure vessels was approximately \$6.6 billion in 2009 with an expected annual growth rate of approximately 25% over the next 5 years, according to the Zero Power Intelligence Co. “China Metal Pressure Vessel Investment Analyst and Research Report 2010.”

Products

Each of our product lines – wind towers, bellows expansion joints and pressure vessels – are highly engineered metal components purchased by major electrical utilities and large-scale industrial companies. The manufacturing process for each of our products consists principally of the rolling and welding of raw steel materials into finished components, and makes use of the same pool of production workers and engineering talent for design, fabrication, assembly and testing. Our products are characterized and marketed by their ability to withstand temperature, pressure, structural load and other environmental factors critical to their performance in the wind power, steel and coke production, petrochemical, high voltage electricity transmission and thermoelectric industries. Our sales force sells our products directly to our customers, which are responsible for installing and integrating our component products into their finished products. We perform all manufacturing at our facilities in Tieling, Liaoning Province, China.

Wind Towers

We design and manufacture structural towers for wind turbines. A typical wind turbine installation consists of a tower; the nacelle, which houses the generator, gearbox and control systems; and the blade and rotor system. A freestanding, utility-scale wind tower is composed of rolled steel sections that we design and fabricate for sale to our customers, which, in turn, assemble and install the tower at wind farm sites.

| | |
|---------------------------|--|
| Wind turbine installation | Subsection of wind tower in production |
|---------------------------|--|

We produce our wind towers in multiple subsections, which we then weld and bolt together into four main sections and the tower base for transport to the customer’s project site. After inspecting and treating the steel raw materials, we produce each tower subsection by rolling steel and then welding the rolled form together along its vertical axis to produce the final cylindrical piece. Each tower is manufactured to customer specifications and tolerances based on tower height, wind turbine size and unique installation site requirements. The height of the wind tower affects the ultimate yield of the turbine, as taller towers generally provide access to stronger winds and greater wind flow. This leads to greater power output and also helps to enable the use of higher-powered turbines. Increasing the height of the tower generally requires increasing its base diameter and wall thickness, thereby increasing the amount of raw material needed for production. We construct our towers using quality materials capable of enduring high-cycle fatigue stress, and they are designed to exceed the expected life of the wind turbine, typically 20 years.

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We currently produce towers for 1, 1.5 and 3MW on-land wind turbines, with the expertise and manufacturing capacity to provide wind towers for higher-powered on-land and off-shore wind turbines. The following table illustrates the general dimensions of wind towers for on-land and off-shore installations by turbine MW.

| Turbine Capacity | Wind Tower Sizes | | | | | |
|----------------------|-----------------------|---------|---------|---------|-------------------------|---------|
| | On-land Wind Turbines | | | | Off-shore Wind Turbines | |
| | 1MW | 1.5MW | 3MW | 5MW | 3MW | 5MW |
| Tower Height | 68m | 72m | 75m | 75m | 75m | 75m |
| Tower Wall Thickness | 10-20mm | 14-32mm | 16-50mm | 16-60mm | 16-50mm | 16-60mm |

Our manufacturing facilities are located in one of the top wind power production regions of China, thereby lowering transportation costs for delivery of our wind towers. We currently are the only wind tower manufacturer in Tieling, Liaoning Province. Our welding experience, Class III A2 grade pressure vessel manufacturing license and location provide us with competitive advantages when bidding on new wind tower contracts. Our wind tower customers include the wind power operating subsidiaries of two of the largest state-owned utilities – China Guodian Corporation and China Huaneng Group.

As of March 31, 2011, we had shipped 203 wind towers, including towers for 3MW wind turbines, since first introducing our wind tower products in February 2010. For the year ended December 31, 2010, we had \$20.7 million in net sales of our wind towers, or approximately 93% of our total net sales. For the three months ended March 31, 2011, we had \$3.47 million in net sales of our wind towers, or approximately 88% of our total net sales. We expect a majority of our revenues to continue to come from sales of our wind towers.

Bellows Expansion Joints

We design and manufacture specialty bellows expansion joints, which are used to absorb the expansion, contraction and movement of piping system components resulting from extreme temperature changes, vibrations, high pressure and other mechanical forces common to large industrial production systems. The “bellows” is the flexible portion that permits movement in the expansion joint and is made of specialty steel or rubber. Bellows expansion joints absorb axial, lateral and angular motions, vibrations, thermal expansions and contractions.

Large industrial production piping systems are an integral part of the manufacturing process in iron and steel production, refining, heat recycling and ultra-high-voltage transmission systems. Expansion joints must be made of high quality materials and manufactured to withstand extreme pressure, changes in temperature and vibrations. Even high quality expansion joints must be replaced on a regular basis in order to properly maintain complex manufacturing systems. Historically, our customers have imported these products from Japan due to the precision manufacturing and engineering requirements of the products.

Our bellows expansion joints accounted for approximately 7% of our net sales for the year ended December 31, 2010, compared to 66% of our net sales for the year ended December 31, 2009. For the three months ended March 31, 2011, our bellows expansion joints accounted for approximately 3% of our net sales compared to 100% of our net sales for the three months ended March 31, 2010.

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Our key bellows expansion joint products include:

CDQ High Temperature Bellows Expansion Joints – expansion joints used in coke dry quenching systems, a more environmentally friendly and efficient process for the production of coke being adopted by the iron and steel industries in China. We believe that we were the first manufacturer of CDQ high temperature bellows expansion joints in China when we first introduced this product in June 2009.

CDQ High Temperature Bellows
Expansion Joint

Disk Spring Sleeve Bellows Expansion Joints – a key component in ultra-high-voltage electrical switching systems used by large electric utilities in China to upgrade and modernize the national electrical grid. Our products, first introduced in March 2009, reduce safety issues caused by conventional bellows used in Gas Insulated Switchgear by better accommodating the unique gas pressure movements within the switchgear.

Disk Spring Sleeve Bellows Expansion
Joints

Connecting Bend Pipes – unique flexible expansion joints that reduce flammable gas leaks from coal ovens used to make coke in iron and steel mills. We are one of the few manufacturers of connecting bend pipes for the steel and coke industries in China, having first introduced our product in March 2009.

Connecting Bend Pipes

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Pressure Vessels

We design and manufacture highly engineered pressure vessels used within heat exchangers and industrial reactors by the petrochemical, electrical, steel, aerospace and metallurgical industries. Our pressure vessels are also used as storage tanks and separators in manufacturing and electrical production processes. We manufacture pressure vessels to customer specifications from carbon or stainless steel to withstand high temperatures, high pressures and resist corrosion. Our pressure vessels are subject to stringent testing standards and are put through a battery of examinations using radiological (x-ray), ultrasonic, pneumatic and hydraulic testing to ensure quality control. We have received the necessary licensing from the State General Administration of the PRC for Quality Supervision and Inspection and Quarantine to manufacture pressure vessels of Class III A2 grade – the highest rating in China. Management estimates that our pressure vessels have an average life expectancy of 10 years. We first introduced our pressure vessels in February 2009. Pressure vessels accounted for less than 1% of our net sales for the year ended December 31, 2010, compared to 34% of our net sales for the year ended December 31, 2009. For the three months ended March 31, 2011, pressure vessels accounted for 9% of our net sales compared to no sales for the three months ended March 31, 2010.

Pressure Vessel

Sales and Marketing

As of March 31, 2011, we employed 20 sales professionals who sell and market our products directly to customers. We currently sell exclusively to large-scale utilities and industrial companies and have developed an extensive network of relationships with the utilities that are the principal developers of wind farms, large-scale steel mills and state electric grid operators within China. Our wind towers are sold primarily into wind farms being developed within 500 miles of our Tieling manufacturing facilities, leveraging our regional strength as the only wind tower manufacturer in Tieling, Liaoning Province and our transportation cost advantage.

Utilities award contracts for wind towers on a competitive basis. As a precursor to bidding, suppliers like us generally must have an existing relationship with the utility and a license to manufacture Class III A2 grade pressure vessels, which is often a specific requirement to bid on wind tower contracts. We generally become aware of upcoming projects by region as disclosed in annual NDRC wind development plans and through our customer relationships. Utilities disclose specific requests for proposals publicly via the Internet when they are prepared to accept bids. Requests for proposals are typically disclosed in the first, second and fourth calendar quarters for product delivery in the subsequent third, fourth and second calendar quarters.

A substantial deposit based upon contract amount, typically around \$125,000, is required for each bid on a wind tower contract, and is returned to the bidder approximately three months after bid submission. This process is designed to ensure that only companies with sufficient manufacturing capacity and capitalization bid on projects. It is our experience that typically three to six companies bid per contract. Contract price per tower varies based on customer specifications, location requirements of the wind farm and turbine MW. For a 1.5MW turbine, the contract price of a tower currently ranges from approximately \$100,000 to \$165,000, with an average price of approximately \$125,000. The price of a tower for a 3MW or larger turbine will generally exceed \$150,000.

Production

We conduct all manufacturing in our facilities in the city of Tieling, Liaoning Province, China. We base our production schedule on customer orders and schedule deliveries on a just-in-time basis. We use advanced manufacturing equipment in our production process. We received ISO 9001:2008 Quality Management System certification in October 2009, which certification recognizes our adherence to formalized business processes and implementation of a quality management system that demonstrates our ability to consistently produce products

Explanation of Responses:

meeting customer and applicable statutory and regulatory requirements. We currently operate two production facilities with 17,246 square meters of combined production space.

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Product Safety and Quality Control

We have implemented multiple, comprehensive quality control procedures throughout our manufacturing and assembly process that are designed to ensure product quality and safety beginning from the receipt of raw materials to the final product inspection prior to shipment. Our manufacturing protocols establish stringent requirements and specifications that our products must meet before they are allowed to move into the next phase of the manufacturing process, ensuring that each individual piece of work in progress meets strict technical standards. Our pressure vessel manufacturing received PRC government certification. We perform non-destructive tests on our products for defect detection using our in-house radiological (x-ray) and ultrasonic testing. We use specialized pneumatic and hydraulic tests on pressure vessels and bellows expansion joints for conformance with specifications, and gas leakage tests on GIS bellows expansion joints. For some of our products, such as wind towers, production and testing is monitored throughout the production process by both customer and government on-site inspectors in addition to our own quality assurance supervisors. Our quality control procedures also include quality assurance of raw materials used in the production of our products, which includes an evaluation and selection of established and reputable suppliers.

We offer a warranty to our customers on all products for up to 24 months, depending on the terms negotiated with each customer, following the date of customer acceptance. During the warranty period, we will repair or replace defective products free of charge.

Suppliers and Raw Materials

Our major raw material purchases include stainless steel, carbon steel and component parts, including disk springs and flanges. We operate a multiple-sourcing strategy, sourcing our raw materials through various suppliers located throughout China. We do not engage in hedging transactions to protect against raw material price fluctuations; instead, we attempt to mitigate the short-term risk of price swings on raw materials by obtaining pricing commitments from suppliers in advance for inclusion in our bids for large sales contracts. This process helps to fix our raw material costs at the time of bidding, thereby locking in our margins on large sales of wind towers and other fabricated metal specialty components. We have been able to source our steel purchases directly from steel producers instead of through steel distributors, further reducing our costs. We typically place component orders after we have received firm orders for our products and have received prepayments in order to minimize our inventory.

We do not generally have long-term supply agreements with any of our raw materials suppliers. We believe we will be able to obtain an adequate supply of steel and other raw materials to meet our manufacturing requirements, and we maintain a good business relationship with all of our suppliers. Our principal suppliers are Tianjin Dongfang Huatai Trading Co., Ltd., Tianjin Iron and Steel Group Co., Ltd., Zhangjiagang Sanlin Flange Forging Co., Ltd., Qinhuangdao Hengyu Trading Co., Ltd. and Shenyang Huanggu Xinguang Steel Co., Ltd.

Customers

Our customers include major electrical utilities and large-scale industrial companies in China specializing in heavy industry, such as the wind power, steel and coke production, petrochemical, high voltage electricity transmission and thermoelectric industries.

As of March 31, 2011, we had cumulative orders of 378 wind towers, of which we had delivered 203 wind towers and we expect to deliver the remaining 175 wind towers in the second half of 2011. In addition, in October 2010, we entered into a master contract with Gezhouba Inner Mongolia Wind Power Equipment Co., Ltd., a wind power equipment manufacturer in China, pursuant to which we were subcontracted to supply approximately 66 wind towers in 2011, with the number of wind towers and delivery dates subject to our manufacturing capacity. Our wind tower customers are responsible for all assembly and installation of the wind tower units delivered. Advance and partial

payments are due at agreed-upon milestones throughout the project duration and 10% of the purchase price is retained against any defects found by the customer during the warranty period of 18 months following customer acceptance. Our largest customers for wind towers in 2010, Huaneng Tieling Wind Power Generation Co. Ltd. and Huaneng Tongliao Wind Power Generation Co. Ltd., each a subsidiary of the China Huaneng Group, accounted for approximately 31% and 30%, respectively, of our net sales for the year ended December 31, 2010. China Guodian Inner Mongolia Xilinguole Tianhe Wind Power Generation Co., Ltd. and China Guodian Beipiao Wind Power Generation Co. Ltd., each a subsidiary of the China Guodian Corporation, accounted for approximately 15% and 12%, respectively, of our net sales for the year ended December 31, 2010. Our largest customers for wind towers for the three months ended March 31, 2011, were Guodian Huabei Electrical Engineering Co., Ltd., a subsidiary of China Guodian Corporation, and Huaneng Tieling Wind Power Generation Co. Ltd., a subsidiary of China Huaneng Group, accounting for 72% and 16%, respectively, of our net sales for the three months ended March 31, 2011.

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The majority of our business for fabricated metal specialty components is by customer purchase order made in the ordinary course of business. Installation of our component products is the responsibility of the customer. We provide a standard warranty to our customers on our products to repair or replace defective components for up to 24 months from customer acceptance depending upon the terms negotiated with each customer. Our largest customer for bellows expansion joints and pressure vessels in 2010, Henan Pinggao Electric Co., Ltd., accounted for approximately 3% of our net sales for the year ended December 31, 2010. Our largest customer for bellows expansion joints and pressure vessels for the three months ended March 31, 2011, Shenyang Blower Works (Group) Pressure Vessel Co., Ltd., accounted for approximately 9% of our net sales for the three months ended March 31, 2011.

The majority of our business is affected by seasonality. We sell products that are installed outdoors. Consequently, demand for these fabricated metal specialty components can be affected by weather conditions. We typically experience stronger third and fourth calendar quarters and weaker first and second calendar quarters due to seasonal fluctuations in sales volumes. Our wind tower customers typically place requests for proposals in the fourth and first calendar quarters because of their internal operational schedules and annual budget requirements. In order to satisfy delivery schedules, we manufacture most of our wind tower products during the second and third calendar quarters for delivery in the second, third and fourth calendar quarters when weather conditions in the northern provinces of China, where our customers' wind farms are located, are more favorable for installation by the customer.

Competition

Our products compete presently only in the PRC domestic market. The general manufacturing industry for fabricated metal components in China is fragmented and diverse, has low barriers to entry and is highly competitive. We compete with PRC domestic private companies, state-owned companies and international manufacturers. Many of our competitors are more established and have substantially greater manufacturing, marketing and financial resources than we do, including state backing for some companies.

We compete in the wind tower business based on price, our reputation for quality and on-time delivery, our relationships with the state-owned utilities and our geographical proximity to high-growth regions in China for wind power production. Management believes that our welding quality, manufacturing experience and plant capacity for the production of large tower sections are key considerations in the awarding of contracts for wind tower components in China. Our principal competitors in the wind tower market are Engineering Company Ltd. (a subsidiary of the China Gezhouba Water & Power Group), Gansu Keyan Electricity Co., Ltd. and Qingdao Tianneng Electricity Engineering Machinery Co., Ltd. We sell wind towers directly to state-owned utilities and collaborate with wind turbine manufacturers to supply components for wind power project installations; we do not compete with wind turbine manufacturers.

Our principal competitor for high temperature bellows expansion joints for CDQ systems and connecting bend pipes in coking systems is NanJing ChenGuang. Our principal competitors in the disk spring sleeve bellows expansion joint market are Shanghai Huqiang Bellows Manufacture Co., Ltd., Shenyang Instrument Science Institution and Shenyang Aerosun-Futai Expansion Joint Co., Ltd. Our principal competitors in the pressure vessel market are Shenyang Aerospace Xinguang Group Co., Ltd. and Shenyang Luzheng Cooling & Heating Equipment Co., Ltd.

Intellectual Property

We and our subsidiaries rely on the patent and trade secret protection laws in China, along with confidentiality procedures and contractual provisions, to protect our intellectual property and maintain our competitive position in the marketplace. We have two design patents in China for a connecting bend pipe, which expires in August 2015, and an enclosed compensator, which expires in March 2020. We have two utility patents in China related to our disk spring sleeve bellows expansion joint, which expires in March 2020, and our CDQ high temperature bellows expansion joint,

which expires in May 2020. We intend to apply for more patents in China to protect our core technologies. We have been granted an exclusive license to use a production method patent for lead-free soft solder with mischmetal from the Shenyang Industry University until December 31, 2016. Under the terms of the license, we will pay Shenyang Industry University royalties based on our sales associated with our use of the patent of no more than RMB 100,000 (\$15,200) each quarter.

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Research and Development

We spent \$99,482 on research and development in 2010, and \$66,582 in 2009 and \$0 in 2008. We continue to evaluate opportunities to develop new products and will increase expenditures for research and development accordingly. We may increase future investments in research and development based on our growth and available capital.

Governmental and Environmental Regulation

Our Creative Bellows and Creative Wind Power subsidiaries and manufacturing facilities are located in Liaoning, Tieling Province, China, and subject to the national and local laws of the PRC. Any company that conducts business in the PRC must have a business license that covers a particular type of work. The business licenses of our PRC subsidiaries cover their present business activities. Prior to expanding our PRC subsidiaries' business beyond that of their business license, we are required to apply and receive approval from the PRC government. Our business and company registrations for Creative Bellows and Creative Wind Power are in compliance in all material respects with the laws and regulations of the municipal and provincial authorities of Liaoning Province and China.

The manufacturing of pressure vessels requires a special license issued by the State General Administration of the PRC for Quality Supervision and Inspection and Quarantine. We received a license to manufacture pressure vessels of Class III A2 grade on January 8, 2009, which expires on January 7, 2013. We plan to apply for a renewal of this manufacturing license and do not foresee any issue with its approval.

Our nondestructive radiological testing of products includes the use of x-rays for defect detection. In December 2008, the Bureau for Environmental Protection of Liaoning Province determined that the design and construction of our radiological (x-ray) defect detection room was in compliance with PRC Ministry of Health standards for radiological protection standards for industrial x-rays.

Environmental Regulations

We are subject to the national environmental regulations of the PRC as well as local laws regarding pollutant discharge, air, water and noise pollution, including the Environmental Protection Law of the PRC, the Environmental Impact Appraisal Law of the PRC, the Law of the PRC on the Prevention and Control of Water Pollution, the Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Waste, the Law of the PRC on Prevention and Control of Air Pollution and the Law of the PRC on Prevention and Control of Environmental Noise Pollution. The Environmental Protection Law of the PRC sets out the legal framework for environmental protection in the PRC. The Ministry of Environmental Protection of the PRC, or the MEP, is primarily responsible for the supervision and administration of environmental protection work nationwide and formulating national waste discharge limits and standards. Local environmental protection authorities at the county level and above are responsible for environmental protection in their jurisdictions. Companies that discharge contaminants must report and register with the MEP or the relevant local environmental protection authorities. Companies discharging contaminants in excess of the discharge limits prescribed by the central or local authorities must pay discharge fees for the excess in accordance with applicable regulations and are also responsible for the treatment of the excessive discharge. Companies that directly or indirectly discharge industrial wastewater into the water or are required by law to obtain the pollutant discharge permit before discharging wastewater or sewage shall also obtain the pollutant discharge permit.

In January 2010, the Tieling Environmental Inspection Department issued an environmental inspection report of Creative Bellows indicating that its business operations are in material compliance with the relevant PRC environmental laws and regulations. In October 2010, the Environmental Bureau of the Tieling Economic Development Zone renewed the annual emissions permit of Creative Bellows. Our production processes mainly

generate noise, wastewater and solid wastes. We currently do not incur any material costs in connection with our compliance with the applicable PRC environmental laws as our manufacturing processes generate minimal discharge and much of our solid waste, such as scrap metal, is repurposed or resold. Furthermore, the cost of maintaining compliance has not, and we believe, in the future, will not, have a material adverse effect on our business, consolidated results of operations and consolidated financial condition.

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Labor Protection Regulations

The Labor Contract Law of the PRC, effective on January 1, 2008, governs the establishment of employment relationships between employers and employees, and the conclusion, performance, termination of, and the amendment to employment contracts. To establish an employment relationship, a written employment contract must be signed by the employer and employee. In the event that no written employment contract was signed at the time of establishment of an employment relationship, a written employment contract must be signed within one month after the date on which the employer first engaged the employee. We believe that we are in material compliance with such requirement.

On June 29, 2002, the Work Safety Law of the PRC was adopted by the Standing Committee of the 9th National People's Congress and came into effect on November 1, 2002, as amended on August 27, 2009. The Work Safety Law provides general work safety requirements for entities engaging in manufacturing and business activities within the PRC. We believe we are in material compliance with all applicable laws and regulations related to work safety.

Foreign Currency Regulations

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations promulgated by the State Council, as amended on August 5, 2008, or the Foreign Exchange Regulations. Under the Foreign Exchange Regulations, RMB is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made.

On October 21, 2005, the SAFE issued Circular 75, which became effective as of November 1, 2005. Please refer to "Risk Factors – Risks Related to Business in China – PRC regulations relating to the registration requirements for PRC resident shareholders owning shares in off-shore companies as well as registration requirements of employee stock ownership plans or share option plans may subject our PRC resident shareholders to personal liability and limit our ability to acquire companies in China or to inject capital into our operating subsidiaries in China, limit our subsidiaries' ability to distribute profits to us or otherwise materially and adversely affect our business" for a discussion of Circular 75.

On August 29, 2008, the SAFE promulgated Circular 142 regulating the conversion by a foreign-invested company of foreign currency into RMB by restricting how the converted RMB may be used. Please refer to "Risk Factors – Risks Related to Business in China – Restrictions on currency exchange may limit our ability to receive and use our revenues effectively" for a discussion of Circular 142.

Dividend Distribution

Our ability to pay dividends may be affected by the complex currency and capital transfer regulations in China that restrict the payment of dividends to us by our subsidiaries in China. PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. We also are required to set aside at least 10% of our net income after taxes based on China's accounting standards each year to statutory surplus reserves until the cumulative amount of such reserves reaches 50% of registered capital. These reserves are not distributable as cash dividends. Our subsidiaries also may allocate a portion of their after-tax profits to their staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation. If our subsidiaries incur debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

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Taxation

Under the EIT Law and its implementing rules, which became effective on January 1, 2008, foreign-invested enterprises and PRC domestic companies are subject to a uniform tax rate of 25%. Preferential tax treatment under the EIT Law is given to companies in certain encouraged sectors and to entities classified as high technology enterprises supported by the PRC government, whether foreign-invested enterprises or PRC domestic companies. According to the EIT Law, entities, such as Creative Bellows, that qualify for high technology enterprise status receive special support from the PRC government and benefit from a tax rate of 15% as compared to the uniform PRC enterprise tax rate of 25%. There can be no assurances that Creative Bellows will continue to qualify as a high technology enterprise in the future, or be able to renew its status and tax benefits when they expire, and benefit from such preferential tax treatment.

Employees

As of March 31, 2011, we had 220 full time employees, all of whom are in China, and no part-time or seasonal employees. We believe that relations with our employees are satisfactory. We enter into standard labor contracts with our employees as required by the PRC government and adhere to state and provincial employment regulations. We provide our employees with all social insurance as required by state and provincial regulations, including pension, unemployment, basic medical and workplace injury insurance. We have no collective bargaining agreements with our employees.

Property

Our principal executive offices and our designing and manufacturing facilities are located in the Tieling Economic Development Zone, Tieling, Liaoning Province, China. We own eight buildings, which together include our office headquarters and manufacturing facilities. Creative Bellows has been granted land use rights in Tieling to 94,473 square meters through 2058. Our current facilities have a total production space of 17,246 square meters. We believe that our existing facilities are adequate for current operations and presently foreseeable operations.

Legal Proceedings

We may occasionally become involved in various lawsuits and legal proceedings arising in the ordinary course of business. Litigation is subject to inherent uncertainties and an adverse result in these or other matters that may arise from time to time could have an adverse effect on our business, financial condition or operating results. We are currently not aware of any such legal proceedings or claims that will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

MANAGEMENT

Directors and Executive Officers

The following table sets forth the names of our current directors, executive officers and certain significant employees and their ages, positions and biographical information. Our executive officers are appointed by, and serve at the discretion of, our Board of Directors. Each executive officer is a full time employee. Our directors hold office for one-year terms or until their successors have been elected and qualified. Bei Lu, our Chairman and Chief Executive Officer, is the daughter of Dianfu Lu, one of our directors. There are no other family relationships between any of our directors, executive officers or other key personnel and any other of our directors, executive officers or key personnel. There are no arrangements or understandings between any of our directors or executive officers and any other persons pursuant to which such director or executive officer was selected in that capacity.

Explanation of Responses:

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| Name | Position | Age |
|----------------|--------------------------------------|-----|
| Bei Lu | Chairman and Chief Executive Officer | 40 |
| Nan Liu | Chief Financial Officer | 33 |
| Lige Zheng | Chief Operating Officer | 59 |
| Dianfu Lu | Director | 72 |
| Arnold Staloff | Director | 66 |
| Shuyuan Liu | Director | 61 |
| Zili Zhao | Director | 61 |
| Jason Li | Corporate Secretary | 28 |

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Bei Lu, Chairman and Chief Executive Officer

Ms. Lu was appointed our Chairman and Chief Executive Officer on July 2, 2010. Ms. Lu was one of the founders of Liaoning Creative Bellows Co., Ltd., or Creative Bellows, in September 2007, which is now our wholly owned subsidiary, and was appointed its Chairman of the Board and Chief Executive Officer in September 2007. From September 1993 to July 2007, Ms. Lu served as General Manager of Shenyang Xinxingjia Bellows Manufacture Co., Ltd. Since 2006, Ms. Lu has served as the Vice Chairman of the Professional Manager Association of Liaoning Province. In 2005, the China Professional Manager Research Center of State-owned Assets Supervision and Administration Commission (SASAC) and China National Center for Human Resources Ministry of Personnel selected Ms. Lu as a National Excellent Professional Manager. Ms. Lu has designed two patented bellows expansion joint products. Ms. Lu received her bachelor's degree from Shenyang University of Technology in 1992. Ms. Lu is the daughter of Dianfu Lu, one of our directors. As one of our founders, Ms. Lu brings to the Board of Directors her extensive knowledge of our operations and long-term strategy. The Board of Directors believes Ms. Lu's vision, leadership and extensive knowledge of us is essential to our future growth. Her skills include operations, marketing, business strategy and product development.

Nan Liu, Chief Financial Officer

Ms. Liu was appointed our Chief Financial Officer on September 28, 2010. Previously, Ms. Liu served as our Financial Comptroller and Corporate Secretary. Ms. Liu was appointed as Creative Bellows' Corporate Secretary in May 2010. She joined Creative Bellows in September 2009 as its Financial Manager and head of the Accounting Department. From October 2006 to August 2009, Ms. Liu served as an auditor with the Liaoning Weishixin Accounting Firm. From September 2001 to September 2006, Ms. Liu served as an accounting manager for the Shenyang Sanyo Heavy Industry Group, a Japan-China Joint Venture Company and an affiliated entity of Sanyo Industries, Ltd., a Japanese conglomerate with 12 subsidiaries, more than 40 China branch offices and extensive accounting and internal control requirements. Ms. Liu is a CPA licensed through the Chinese Institute of Certified Public Accountants and has over 10 years of broad financial, internal control and accounting management experience. Ms. Liu received her bachelor's degree from the Dongbei University of Finance and Economics in 2001.

Lige Zheng, Chief Operating Officer

Mr. Zheng was appointed our Chief Operating Officer on July 2, 2010. Mr. Zheng joined Creative Bellows in June 2008 as its Chief Operating Officer. Prior to joining us, Mr. Zheng served as Vice President of Dalian Baifute Cable Company. From January 1974 to June 2005, Mr. Zheng worked for Shenyang Cable Co., Ltd., rising to the position of Vice General Manager. Mr. Zheng graduated from the Shenyang College of Finance and Economics in 1986.

Dianfu Lu, Director

Mr. Lu was appointed to our Board of Directors on July 2, 2010, and also serves as our Vice President of Operations. Mr. Lu was one of the founders of Creative Bellows in 2007, which is now our wholly owned subsidiary, and was appointed its Director in September 2007. From 1991 to 2007, Mr. Lu served as the Director of Shenyang Xinxingjia Bellows Manufacture Co., Ltd. From 1989 to 1990, Mr. Lu served as the General Engineer of Shenyang Bellows Group. From 1985 to 1989, Mr. Lu served as the Research Director of Shenyang Machinery Design & Research Institute. From 1963 to 1985, Mr. Lu served as a Senior Engineer of the Shenyang Second Tractor Plant. Mr. Lu received his bachelor's degree in Machinery Manufacture and Design from the Shenyang University of Technology in 1963. Mr. Lu is the father of Bei Lu, our Chairman and Chief Executive Officer. Mr. Lu brings to the Board of Directors extensive knowledge of industrial product development through his nearly 40 years of design and manufacturing experience in China. The Board of Directors believes Mr. Lu's knowledge of us and our operations, long-term strategy and industry as one of our founders is essential to our future growth. His skills include operations,

business and product development, industry analysis and risk assessment.

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Arnold Staloff, Director

Mr. Staloff was appointed to our Board of Directors on July 13, 2010, and serves currently as the Chairman of our Audit Committee and member of our Compensation Committee and Nominating and Corporate Governance Committee. Mr. Staloff brings to the Board of Directors a long and successful business career, with extensive experience at both the management and board levels. Mr. Staloff has served as a director and the Chairman of the Audit Committee at NASDAQ-listed SmartHeat Inc., a plate heat exchange system manufacturer, since 2008, and NASDAQ-listed Deer Consumer Products, Inc., a small home and kitchen electronic products manufacturer, since 2009. From 2007 until his resignations in July 2010, Mr. Staloff served as a director and the Chairman of the Audit Committee at NASDAQ-listed Shiner International, Inc., a packaging and anti-counterfeit plastic film company, and NASDAQ-listed AgFeed Industries, Inc., a feed and commercial hog producer. Mr. Staloff served as a director for Lehman Brothers Derivative Products Inc. from 1994 until October 2008. From December 2005 to May 2007, Mr. Staloff served as Chairman of the Board of SFB Market Systems, Inc., a New Jersey-based company that provided technology solutions for the management and generation of options series data. From June 1990 to March 2003, Mr. Staloff served as President and Chief Executive Officer of Bloom Staloff Corporation, an equity and options market-making firm and foreign currency options floor broker. During 1989 and 1990, Mr. Staloff served as President and Chief Executive Officer of Commodity Exchange, Inc., or COMEX. Mr. Staloff started his professional career in 1968 at the U.S. Securities and Exchange Commission. Mr. Staloff has been credited with the introduction of Options on Foreign Currencies and the precursor to Spysdrs. His skills include financial analysis and accounting expertise.

Shuyuan Liu, Director

Mr. Liu was appointed to our Board of Directors on July 13, 2010, and serves currently as the Chairman of our Nominating and Corporate Governance Committee and member of our Audit Committee and Compensation Committee. Mr. Liu brings to the Board of Directors extensive business and financial experience in the energy and steel industries in China. Mr. Liu is a former director at China Huaneng Power International, Inc., one of the five largest power producers in China engaging in the development, construction and operation of large power plants. Since 2000, Mr. Liu has served as the Chairman of Liaoning Energy Investment (Group) Co., Ltd., a large government-authorized investment company in China specializing in investments in the energy sector. From 2004 to 2008, Mr. Liu served as the Chairman of Liaoning Guoneng Group (Holding) Co., Ltd., a large government-authorized steel product logistics company. Mr. Liu was named Outstanding Entrepreneur by the Central Government of China in 2006 and was also awarded the Medal of Prominent Entrepreneur. Mr. Liu is an accomplished economist and he is currently the President of the Liaoning Entrepreneurs Association. His skills include logistics, industry analysis and financial analysis.

Zili Zhao, Director

Mr. Zhao was appointed to our Board of Directors on July 13, 2010, and serves currently as the Chairman of our Compensation Committee and member of our Audit Committee and Nominating and Corporate Governance Committee. Mr. Zhao brings to the Board of Directors his over 25 years of extensive experience in the energy industry in China. Mr. Zhao currently serves as the Deputy General Manager and Deputy Secretary of Liaoning Electric Power Company Ltd., a subsidiary of China State Grid, the largest electric power transmission and distribution company in China. From 1995 to 2000, Mr. Zhao served as the Director of Dalian Electric Power Bureau. Prior to 1995, Mr. Zhao devoted 20 years to academia. From 1991 to 1995, Mr. Zhao served as the Headmaster of Dalian Electric Power Economic Management University. From 1985 to 1991, he served as the Headmaster of Dalian Electric Power University. Prior to 1991, he held multiple positions within the Dalian Electric Power University, including Deputy Party Secretary, Director of Committee Organization, and Professor of Power Generation. Mr. Zhao received a bachelor's degree in Education Principles from HuaZhong Normal University and a master's degree in Electric Power Generation from Dongbei Electric Power University.

Jason Li, Corporate Secretary

Mr. Li was appointed Corporate Secretary of the Company on September 28, 2010. Previously, Mr. Li was the Company's Director of Corporate Communications since June 2010. From September 2005 to March 2010, Mr. Li was a project engineer at Dalian Soucy Industry & Technology Development Co. Ltd, the China subsidiary of Soucy International Inc., a Canadian manufacturer of a wide variety of parts and accessories for recreational, industrial and agricultural customers. Mr. Li received his bachelor's degree in Engineering from the Dalian University of Technology in 2004. Mr. Li is fluent in Mandarin Chinese and English.

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Involvement in certain legal proceedings

During the past ten years, none of our directors or executive officers has been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities;
- found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, that has not been reversed, suspended, or vacated;
- subject of, or a party to, any order, judgment, decree or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of a federal or state securities or commodities law or regulation, law or regulation respecting financial institutions or insurance companies, law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

None of our directors, officers or affiliates, or any beneficial owner of 5% or more of our common stock, or any associate of such persons, is an adverse party in any material proceeding to, or has a material interest adverse to, us or any of our subsidiaries.

Director Independence

Our Board of Directors has determined that each of Messrs. Staloff, Liu and Zhao are independent directors for the purposes of the NASDAQ listed company standards currently in effect and all applicable rules and regulations of the SEC. Additionally, our Board of Directors determined that Joseph S. Rizzello, who served as one of our directors from December 16, 2010, to February 21, 2011, was an independent director under these same standards for independence. We have established the following standing committees of the Board of Directors: Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. All members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, on each of which Messrs. Staloff, Liu and Zhao serve, satisfy the “independence” standards applicable to members of each such committee. The Board of Directors made this affirmative determination regarding these directors’ independence based on discussions with the directors and on its review of the directors’ responses to a standard questionnaire regarding employment and compensation history; affiliations, family and other relationships; and transactions between us and the directors, if any. The Board of Directors considered relationships and transactions between each director, or any member of his or her immediate family, and our company, our subsidiaries and our affiliates. The purpose of the Board of Directors’ review with respect to each director was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent under the NASDAQ standards.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

On July 6, 2006, Maryna Bilynska, the founder and initial officer and director of Everton Capital Corporation, or Everton, our predecessor shell company, acquired 5,000,000 shares of Everton common stock pursuant to the exemption from registration contained in Regulation S under the Securities Act of 1933, as amended, or the Securities

Act. Everton accounted for this transaction as a purchase of its common stock for consideration of \$50. Ms. Bilynska did not receive anything of value from Everton, directly or indirectly, in her capacity as promoter or principal shareholder.

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On April 23, 2009, Ms. Bilynska sold her 5,000,000 shares, representing approximately 90.1% of Everton's then issued and outstanding common stock, to Mr. Woo, our former president and director, for \$25,000 in a private transaction intended to be exempt from registration under the Securities Act. As a result of this transaction, there was a change in control of Everton. On July 2, 2010, concurrent with the Share Exchange Agreement with Creative Bellows described above under "Our Business – Our History," Mr. Woo returned his shares to us for cancellation in exchange for \$40,000, reflecting the fair value of the shares in our predecessor shell company, which was a non-operating public shell with no trading market for its common stock. Other than this compensation, Mr. Woo did not receive anything of value from us, directly or indirectly, in his capacity as principal shareholder.

On September 8, 2010, we entered into an Intellectual Property Rights Transfer Agreement with Bei Lu, our Chairman and Chief Executive Officer, to clarify the terms of the perpetual, exclusive, worldwide and royalty-free intellectual property usage rights she granted to us, effective as of September 17, 2007, in connection with the transfer to us of her ownership of a design patent issued in China and used by us in our connecting bend pipe product. The State Intellectual Property Office of the PRC approved the ownership transfer effective as of July 23, 2010.

On October 27, 2010, we entered into waiver and release agreements pursuant to which the minority shareholders of Creative Bellows waived any right to receive any part of the approximately \$6 million in PRC government-approved cash consideration for their ownership interests in Creative Bellows resulting from our acquisition of Creative Bellows in exchange for a mutual release of claims. The minority shareholders of Creative Bellows party to such waiver and release agreements included Bei Lu, our Chairman and Chief Executive Officer, Dianfu Lu, one of our directors and father of Bei Lu, and Wenge Chen, a shareholder of more than 5% of our common stock and the wife of Dianfu Lu and mother of Bei Lu, who waived the right to receive from us approximately \$3.78 million, \$1.18 million and \$864,500, respectively.

On December 3, 2010, Bei Lu, our Chairman and Chief Executive Officer, borrowed \$558,101, of which \$517,916 is principal and \$40,185 interest, from a bank for the purchase of equipment on our behalf and with our guarantee, which she in turn loaned back to us on the same terms. The loans bear interest of 7.28% with maturity dates of December 3, 2012. As of March 31, 2011, \$61,378 in principal and \$10,833 in interest has been paid, with \$461,775 in principal remaining outstanding.

There were no other transactions with any related persons (as that term is defined in Item 404 of Regulation S-K) during our last two fiscal years or any currently proposed transaction in which we were or are to be a participant and the amount involved was in excess of \$120,000 and in which any related person had a direct or indirect material interest.

We have adopted a policy in connection with related party transactions involving us. The policy requires the approval by our Audit Committee for any transaction, arrangement or relationship in which (i) the aggregate amount involved will or may be expected to reach \$50,000 in any calendar year, (ii) we are a participant and (iii) any related person has or will have an interest. For the purposes of this prospectus, "related persons" include our executive officers, directors, greater than 5% shareholders or immediate family members of any of the foregoing. Pursuant to this policy, the Audit Committee, among other factors, is required to take into account whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances. In addition, the Chairman of the Audit Committee has the authority to approve or ratify any interested transaction with a related person in which the aggregate amount involved is expected to be less than \$25,000.

EXECUTIVE COMPENSATION

As a "smaller reporting company," we have elected to follow scaled disclosure requirements for smaller reporting companies with respect to the disclosure required by Item 402 of Regulation S-K. Under the scaled disclosure

obligations, we are not required to provide a Compensation Discussion and Analysis, Compensation Committee Report and certain other tabular and narrative disclosures relating to executive compensation.

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Executive Compensation

The following table sets forth information concerning the compensation for the fiscal years ended December 31, 2010 and 2009, of our Chairman and Chief Executive Officer.

| Name and Principal Position | Year | Summary Compensation Table | | | | | | | | Total (\$) |
|--------------------------------------|------|----------------------------|------------|-------------------|--------------------|--|--|-----------------------------|---|------------|
| | | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) | Nonequity Incentive Plan Compensation (\$) | Nonqualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | | |
| Bei Lu | 2010 | 70,588 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 70,588 |
| Chairman and Chief Executive Officer | 2009 | 7,320 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,320 |

Narrative Disclosure to Summary Compensation Table

Employment Agreements

Neither we nor our subsidiaries currently have employment agreements with their respective officers. We have entered into labor contracts that are standard for PRC domestic companies with Bei Lu, our Chairman and Chief Executive Officer, and Nan Liu, our Chief Financial Officer, which do not contain provisions prohibiting competition by Mses. Lu or Liu following their employment with us. Ms. Lu's labor contract expires July 1, 2013, and Ms. Liu's labor contract expires September 27, 2011. These labor contracts set forth the general terms and conditions of their employment, require us to establish a safe work environment and provide for social insurance as required by state and provincial regulations, including pension, unemployment, basic medical and workplace injury insurance.

Change-In-Control and Separation Agreements

The standard labor contracts we entered into with Mses. Lu and Liu specify the conditions under which the contracts may be terminated and set forth minimum severance payments, which generally equal one month's salary for each year of employment in cases where termination is initiated other than for "cause."

We do not have any other existing arrangements providing for payments or benefits in connection with the resignation, severance, retirement or other termination of any of our named executive officers, or a change in control of our company or a change in the named executive officer's responsibilities following a change in control.

Equity Incentive Plans

We currently have no equity incentive plan. We intend to adopt an equity incentive plan in order to further our growth by enabling our officers, employees, contractors and service providers to acquire our common stock, increasing their personal involvement with us and thereby enabling us to attract and retain our officers, employees, contractors and service providers.

Outstanding Equity Awards at Fiscal Year-End

As of December 31, 2010, there were no outstanding equity awards held by our executive officers.

Explanation of Responses:

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Director Compensation

The following table sets forth information concerning the compensation of our directors for the year ended December 31, 2010.

| Name | Director Compensation Table – 2010 | | | Total (\$) |
|-----------------------|---|-------------------------|-----------------------------|---------------|
| | Fees Earned or Paid in Cash (\$) | Stock Awards (\$) | Option Awards (\$)(1) | |
| Dianfu Lu | - | - | - | - |
| Arnold Staloff(1) | 27,500 | - | 115,609 | 143,109 |
| Shuyuan Liu | - | - | - | - |
| Zili Zhao | - | - | - | - |
| Joseph S. Rizzello(2) | - | - | 68,016 | 68,016 |

(1) Amount shown reflects aggregate grant date fair value of options and do not reflect whether the recipient actually has realized a financial benefit from such grant, such as by exercising the options. The options were valued as of December 31, 2010, using the Black-Scholes pricing model with the following assumptions: risk-free interest rate – 1.89%; expected life – 3 years; volatility – 147%; and dividend yield – 0%.

(2) Mr. Staloff was appointed to the Board of Directors on July 13, 2010.

(3) Mr. Rizzello was appointed to the Board of Directors on December 16, 2010, and voluntarily resigned on February 21, 2011.

Narrative Disclosure to Director Compensation Table

We do not compensate our non-independent directors, such as Ms. Lu and Mr. Lu, for serving as our directors, although they are entitled to reimbursement for reasonable expenses incurred in connection with attending our board meetings.

Mr. Staloff receives compensation of \$55,000 per annum. We granted options to purchase 30,000 shares of our common stock to Mr. Staloff on July 13, 2010, of which options to purchase 10,000 shares vested on the grant date with the remaining options to vest in increments of 10,000 shares on each subsequent anniversary of the grant date, subject to his continuing to be a member of the Board of Directors. Mr. Staloff's options expire on the third anniversary of their vesting date and entitle him to purchase shares of our common stock at \$8.44 per share.

We agreed to compensate Mr. Rizzello at \$40,000 per annum upon his appointment as a director on December 16, 2010, of which he earned no fees during the year ended December 31, 2010. We granted options to purchase 30,000 shares of our common stock to Mr. Rizzello on December 16, 2010, of which options to purchase 10,000 shares vested on the grant date with the remaining options to vest in increments of 10,000 shares on each subsequent anniversary of the grant date, subject to his continuing to be a member of the Board of Directors. Mr. Rizzello's options expire on the third anniversary of their vesting date and entitle him to purchase shares of our common stock at \$8.40 per share. Mr. Rizzello voluntarily resigned from the Board of Directors on February 21, 2011, forfeiting his unvested options to purchase 20,000 shares of our common stock. Mr. Rizzello's vested options to purchase 10,000 shares of our common stock expired unexercised on May 22, 2011.

We did not compensate Messrs. Liu and Zhao for acting as our directors in 2010, although we may do so in the future, including with cash and equity. Messrs. Liu and Zhao shall be eligible to receive grants of options to purchase our common stock in such amounts and on such terms as agreed to in the future.

Explanation of Responses:

We do not maintain medical, dental or retirement benefits plans for our directors.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of June 30, 2011, regarding the number of shares of our common stock beneficially owned by (i) each person that we know beneficially owns more than 5% of our outstanding common stock, (ii) each of our named executive officers, (iii) each of our directors and (iv) all of our named executive officers and directors as a group. The amounts and percentages of our common stock beneficially owned are reported on the basis of SEC rules governing the determination of beneficial ownership of securities. Under the SEC rules, a person is deemed to be a “beneficial owner” of a security if that person has or shares “voting power,” which includes the power to vote or to direct the voting of such security, or “investment power,” which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days through the exercise of any stock option, warrant or other right. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest. Unless otherwise indicated, each of the shareholders named in the table below, or his or her family members, has sole voting and investment power with respect to such shares of our common stock. As of June 30, 2011, there were 24,982,822 shares of our common stock issued and outstanding.

Except as otherwise indicated, the address of each of the shareholders listed below is: c/o CleanTech Innovations, Inc., C District, Maoshan Industry Park, Tieling Economic Development Zone, Tieling, Liaoning Province, China 112616.

| Name of beneficial owner | Number of shares | Percent of class |
|---|------------------|------------------|
| 5% Shareholders | | |
| Wenge Chen(1) | 2,117,691 | 8.48% |
| Directors and Named Executive Officers | | |
| Bei Lu, Chairman and Chief Executive Officer | 9,482,751 | 37.96% |
| Dianfu Lu, Director | 2,117,691 | 8.48% |
| Arnold Staloff, Director | 20,000(2) | *% |
| All Directors and Named Executive Officers as a Group (7 Persons) | 11,513,039 | 46.48% |

(1) Wenge Chen is our Vice President of Marketing.

(2) Consists of options to purchase 20,000 shares of our common stock that are exercisable within 60 days of June 30, 2011.

* Represents less than 1% of shares outstanding.

We are not aware of any arrangements that could result in a change in control of our company.

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SELLING SHAREHOLDERS

The shares of our common stock included in this prospectus, including shares of our common stock issuable pursuant to the terms of outstanding warrants, were issued in two private placement transactions that closed on July 12, 2010, and were exempt from the registration requirements of the Securities Act pursuant to Regulation D and Regulation S promulgated thereunder. We sold 3,333,322 units consisting of 3,333,322 shares of our common stock and warrants to purchase 499,978 additional shares of our common stock. Each such unit consisted of one share of our common stock and a warrant to purchase 15% of one share of our common stock. In addition, we issued warrants to purchase 333,332 shares of our common stock to the placement agents and qualified finders in the private placement transactions. The warrants are immediately exercisable, expire on the third anniversary of their issuance and entitle their holders to purchase up to 833,310 shares of our common stock, which are included in this prospectus, at \$3.00 per share. The warrants may be called by us at any time after (i) the registration statement registering the common stock underlying the warrants becomes effective, (ii) the common stock is listed on a national securities exchange and (iii) the trading price of the common stock exceeds \$4.00.

The selling shareholders may sell all, some or none of their shares of our common stock in this offering. See “Plan of Distribution.”

The following table sets forth, as to each of the selling shareholders: the number of shares of our common stock beneficially owned, based on each selling shareholder’s ownership of shares and warrants, as of June 30, 2011, assuming exercise of all of the warrants held by the selling shareholder on that date, without regard to any limitations on exercise; the number of shares of our common stock being offered by this prospectus by the selling shareholders; and the number of shares of our common stock beneficially owned upon completion of the offering and the percentage beneficial ownership upon completion of the offering.

| Name | Beneficial Ownership Before Offering | | | Shares of Common Stock Included in Prospectus | Beneficial Ownership After Offering | |
|--|--------------------------------------|----------|--------|--|--|--------------|
| | Stock | Warrants | Total | | Number | Percentage** |
| Abate, Giuseppina | - | 600 | 600 | 600 | 0 | |
| Adams, Tatyana | - | 600 | 600 | 600 | 0 | |
| Adges, Michael | 4,000 | 600 | 4,600 | 4,600 | 0 | |
| Alford, Michael | 2,000 | 300 | 2,300 | 2,300 | 0 | |
| Allen, Roger | 3,200 | 600 | 3,800 | 3,800 | 0 | |
| Alonso, Louis G. | 4,000 | 600 | 4,600 | 4,600 | 0 | |
| Apollo Asia Opportunity Master Fund, L.P. (i) | - | 90,000 | 90,000 | 90,000 | 0 | |
| Arpino, Thomas | - | 300 | 300 | 300 | 0 | |
| Bai, Bu Qian | - | 1,200 | 1,200 | 1,200 | 0 | |
| Baud, Emmanuel | 6,666 | 999 | 7,665 | 7,665 | 0 | |
| Bekerman, Morris | - | 600 | 600 | 600 | 0 | |
| Ben Bay Realty Company (ii) | - | 1,200 | 1,200 | 1,200 | 0 | |
| Benzian, Peter | 4,000 | 600 | 4,600 | 4,600 | 0 | |
| Bogom, Fannie W. | - | 600 | 600 | 600 | 0 | |
| Boije, Marcus | 4,000 | 600 | 4,600 | 4,600 | 0 | |
| Brady, Mark G. | - | 1,800 | 1,800 | 1,800 | 0 | |

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| | | | | | |
|--------------------|--------|-------|--------|--------|---|
| Brickett, Graham | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Burrichter, Jochen | 33,333 | 4,999 | 38,332 | 38,332 | 0 |
| Busby, Andrew | 16,666 | 2,499 | 19,165 | 19,165 | 0 |
| Cavise, Jennifer | - | 6,600 | 6,600 | 6,600 | 0 |
| Cavise, Paul | - | 1,800 | 1,800 | 1,800 | 0 |
| Cavise, Sherry | - | 1,800 | 1,800 | 1,800 | 0 |
| Chan, Ting Keung | - | 2,400 | 2,400 | 2,400 | 0 |
| Chen, Binzhong | - | 600 | 600 | 600 | 0 |

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|---|--------|--------|---------|---------|---|
| Chen, Gang | 8,000 | 1,200 | 9,200 | 9,200 | 0 |
| Chen, Yan Ling | - | 2,400 | 2,400 | 2,400 | 0 |
| Cleaves, Bradford | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Cottam, John | - | 1,200 | 1,200 | 1,200 | 0 |
| Craven, Martin | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Da Silva, Howard | 98,500 | 14,775 | 113,275 | 113,275 | 0 |
| Dady, Mark | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Davis, James R. | 16,666 | 2,499 | 19,165 | 19,165 | 0 |
| Davis, Mark | 20,000 | 3,000 | 23,000 | 23,000 | 0 |
| DeCarlo, Mary V. | - | 600 | 600 | 600 | 0 |
| Deutsch, Jeffrey | - | 600 | 600 | 600 | 0 |
| Doyle, Paddy | 6,000 | 900 | 6,900 | 6,900 | 0 |
| Dunham, Christopher | - | 600 | 600 | 600 | 0 |
| Dunn, Warren Michael | 8,333 | 1,249 | 9,582 | 9,582 | 0 |
| Dury, John R. | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Economou, Angelo | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Edwards, W. Mark | 33,333 | 4,999 | 38,332 | 38,332 | 0 |
| Familivest Group of Philadelphia (iii) | - | 600 | 600 | 600 | 0 |
| Federman, Bruce B. | 15,000 | 2,250 | 17,250 | 17,250 | 0 |
| Feed Services & Hardware Supply Inc. (iv) | - | 600 | 600 | 600 | 0 |
| Finn, Daniel | 28,000 | 4,200 | 32,200 | 32,200 | 0 |
| Finn, Thomas and Maureen (JT) | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Fitzpatrick, Seamus | - | 600 | 600 | 600 | 0 |
| Flood, Kevin and Regina (JT) | 8,000 | 1,200 | 9,200 | 9,200 | 0 |
| Forbes, Glenroy A. | 2,000 | 300 | 2,300 | 2,300 | 0 |
| Fortino, Terrance | - | 600 | 600 | 600 | 0 |
| G&S I Fund LP (v) | - | 3,600 | 3,600 | 3,600 | 0 |
| Gais, Stephan | 33,333 | 4,999 | 38,332 | 38,332 | 0 |
| Georgaroudis, Emmanuel | 2,000 | 300 | 2,300 | 2,300 | 0 |
| Gindi, Randal | - | 600 | 600 | 600 | 0 |
| Gray, Frances | - | 600 | 600 | 600 | 0 |
| Greenfield, Barbara | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Guido, Terese | - | 600 | 600 | 600 | 0 |
| Hakim, Abraham | - | 600 | 600 | 600 | 0 |
| Hamilton, Donald Gordon | 10,000 | 1,500 | 11,500 | 11,500 | 0 |
| Hearn, Derek | 33,333 | 4,999 | 38,332 | 38,332 | 0 |
| Heffner, Michael | 26,500 | 3,975 | 30,475 | 30,475 | 0 |
| Heselmans, Theo and Aerts, Hilde (JT) | 16,666 | 2,499 | 19,165 | 19,165 | 0 |
| Hoeller, Thomas | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Hornbeck, H. Lee and Carolyn Sue (JT) | 81,666 | 12,249 | 93,915 | 93,915 | 0 |
| Hunter, Brian | 16,666 | 2,499 | 19,165 | 19,165 | 0 |
| Hurley, Gregory F. | 66,666 | 9,999 | 76,665 | 76,665 | 0 |
| Jaigobind, Ramnarain | - | 1,200 | 1,200 | 1,200 | 0 |
| Johnson, Ross | - | 600 | 600 | 600 | 0 |
| Kelly, Michael | - | 600 | 600 | 600 | 0 |
| Klein, Roger | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Kleinwaks, Neil | - | 600 | 600 | 600 | 0 |
| Knudsen, Kenneth | - | 600 | 600 | 600 | 0 |
| Koudellou, Theofanis | - | 600 | 600 | 600 | 0 |

Explanation of Responses:

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| | | | | | |
|---------------------------------|--------|-------|--------|--------|---|
| Lanners, Lonnie | 100 | 1,200 | 1,300 | 1,300 | 0 |
| Lehman, Ronald E. and Sharon V. | - | 300 | 300 | 300 | 0 |
| Li, Yunlong | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Litman, Martin | - | 600 | 600 | 600 | 0 |
| Ma, Hong Biao | 2,000 | 600 | 2,600 | 2,600 | 0 |
| Maddock, Geoffrey C. | 16,666 | 2,499 | 19,165 | 19,165 | 0 |
| Madeiras, Andrew | 25,000 | 3,750 | 28,750 | 28,750 | 0 |

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|----------------------|-------|-----|-------|-------|---|
| Magner, Aron | - | 600 | 600 | 600 | 0 |
| Malpass, William Sr. | - | 600 | 600 | 600 | 0 |
| Marchal, Philip | 4,000 | 600 | 4,600 | 4,600 | 0 |
| Marcus, Michael | - | 600 | 600 | | |