

CleanTech Innovations, Inc.  
Form S-1  
December 16, 2010

As filed with the United States Securities and Exchange Commission on December 16, 2010

Registration No. 333-

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CLEANTECH INNOVATIONS, INC.  
(Name of Registrant as specified in its charter)

Nevada  
(State or other jurisdiction  
of incorporation)

3490  
(Primary Standard Industrial  
Classification Code Number)

98-0516425  
(IRS Employer  
Identification No.)

C District, Maoshan Industry Park,  
Tieling Economic Development Zone,  
Tieling, Liaoning Province, China 112616  
+(86) 0410-6129922

(Address and telephone number of principal executive offices and principal place of business)

Ms. Bei Lu  
Chief Executive Officer  
CleanTech Innovations, Inc.  
C District, Maoshan Industry Park,  
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+(86) 0410-6129922  
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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

| Title of each class of securities to be registered                             | Amount to be registered(1) | Proposed                      |  | Amount of registration fee |
|--|----------------------------|-------------------------------|--|----------------------------|
|  |                            | maximum offering price per(2) | Proposed maximum aggregate offering price(3) |                            |
| Common Stock, par value \$.00001 per share                                     | 2,500,000                  | \$ 6.50                       | \$ 16,250,000                                | \$ 1,158.63                |
| Common Stock, par value \$.00001 per share<br>Issuable on exercise of warrants | 1,987,500                  | \$ 6.50                       | \$ 12,918,750                                | \$ 921.11                  |
| Total  | 4,487,500                  |                               | \$ 29,168,750                                | \$ 2,079.74                |

- (1) In accordance with Rule 416(a), the Registrant is also registering hereunder an indeterminate number of shares that may be issued and resold resulting from stock splits, stock dividends or similar transactions.
- (2) The shares being registered for resale by the selling shareholders were issued pursuant to private placements of securities completed on December 13, 2010, and are issuable upon the exercise of certain warrants of the Registrant.
- (3) Estimated pursuant to Rule 457(c) of the Securities Act of 1933 solely for the purpose of computing the amount of the registration fee based on the average of the high and low bid and ask prices reported on the OTC Bulletin Board on December 13, 2010.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the United States Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS; SUBJECT TO COMPLETION, DATED DECEMBER 16, 2010

CLEANTECH INNOVATIONS, INC.

4,487,500 Shares of Common Stock

The selling shareholders identified in this prospectus may offer and sell up to 4,487,500 shares of our common stock consisting of (i) 2,500,000 shares of our common stock issued to investors in the Units (as defined below), (ii) up to 1,987,500 shares of our common stock issuable upon exercise of warrants of which (a) warrants to purchase 1,687,500 shares of our common stock were issued to investors in the Units and (b) warrants to purchase 300,000 shares of our common stock were issued to placement agents and qualified finders in connection with the sale of the Units.

We are not selling any shares of our common stock in this offering and will not receive any proceeds from this offering. We may receive proceeds on the exercise of outstanding warrants for shares of common stock covered by this prospectus if the warrants are exercised for cash.

The selling shareholders may offer the shares covered by this prospectus at fixed prices, at prevailing market prices at the time of sale, at varying prices or negotiated prices, in negotiated transactions, or in trading markets for our common stock. We will bear all costs associated with this registration.

Our common stock trades on the NASDAQ Capital Market under the symbol "CTEK." The closing price of our common stock on the NASDAQ Capital Market on December 15, 2010, was \$8.40 per share.

You should consider carefully the risk factors beginning on page 5 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is \_\_\_\_\_, 2010.

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You may only rely on the information contained in this prospectus or that we have referred you to. We have not authorized anyone to provide you with different information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common stock offered by this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any common stock in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale made in connection with this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information contained by reference to this prospectus is correct as of any time after its date.

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## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission ("SEC"). You should rely only on the information provided in this prospectus and incorporated by reference in this prospectus. We have not authorized anyone to provide you with information different from that contained in or incorporated by reference into this prospectus. The selling shareholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock. The rules of the SEC may require us to update this prospectus in the future.

## PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and does not contain all of the information you should consider in making your investment decision. Before investing in the securities offered hereby, you should read the entire prospectus, including our financial statements and related notes included in this prospectus and the information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." In this prospectus, the terms "CleanTech," the "Company," "we," "us," and "our" refer to CleanTech Innovations, Inc. and its subsidiaries.

### Our Company

We are a manufacturer of structural towers for megawatt-class wind turbines as well as other highly engineered clean technology metal components in the People's Republic of China ("China" or "PRC"). We currently design, manufacture, test and sell structural towers for 1 and 1.5 megawatt ("MW") on-land and 3MW off-shore wind turbines and have the expertise and manufacturing capability to provide towers for larger MW on-land and off-shore turbines as they become more prevalent in China. We are currently the only certified wind tower manufacturer within Tieling, Liaoning Province, which provides significant competitive advantage in supplying towers into the wind-rich northern provinces of China. We also manufacture patented, 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 clean technology solutions for China's increasing energy demand and environmental issues.

We sell our products exclusively in the 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 patented 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, which are actively seeking ways to reduce their carbon and pollutant emissions.

We were founded in September 2007 and have since experienced significant growth. For the nine month period ending September 30, 2010, our net revenue was \$14.7 million, a 440% increase over the twelve month period ended December 31, 2009, and we generated a 29% gross margin and a 20% net margin. Sales of our wind tower products are increasing rapidly; we have shipped 137 wind towers, including towers for 3MW off-shore wind turbines, since their recent introduction in February 2010. Wind towers accounted for over 90% of our revenue for the nine month period ending September 30, 2010.

Notwithstanding the large increase in revenues, we may have 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 payments of 30% of the purchase price to be due on order placement, completion of manufacturing

milestones and upon customer acceptance, with the final 10% payment due up to 24 months from the customer acceptance date. Our payment delays may last up to six months from the due date, but we fully expect to receive all payments because the majority of our customers are state-owned and publicly traded utilities and industrial companies.

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

- § Strong customer relationships with leading utility, wind 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 pressure vessel manufacturing license, a key criteria in customer selection of wind tower suppliers
- § Proprietary product designs and intellectual property
- § Excellent reputation for high-quality manufacturing, stringent testing, timely delivery and customer service

Our Company is headquartered in Tieling, Liaoning Province, China where we currently operate two production facilities with approximately 16,120 square meters of combined production space and an annual production capacity of up to 600 wind tower units. As of October 2010, we had 175 full time employees.

#### Our Industry

Wind power is the world's fastest-growing energy sector and China currently represents the world's largest market for wind products. According to the Global Wind Energy Council ("GWEC") "Global Wind Energy Outlook 2010" ("GWEC 2010 Global Wind Outlook"), global installed wind capacity grew at a 27.8% CAGR from 2000 through 2009. In 2009, according to the GWEC "Global Wind 2009 Report" ("GWEC 2009 Global Wind Report"), global installed wind capacity grew at a record 31.8%, adding 38.3 gigawatts ("GW") and bringing total installed wind capacity to 158.5GW. China accounted for 36% of all newly installed wind capacity and 16% of total worldwide wind capacity, first and second among all countries, respectively, according to the World Wind Energy Association ("WWEA") "World Wind Energy Report 2009" ("WWEA 2009 Wind Report"). Installed wind capacity within China grew at a 61.5% CAGR from 2000 through 2009 – more than double the overall global rate – and capacity has more than doubled for the past four consecutive years, according to the WWEA 2009 Wind Report. In 2009, according to the GWEC "China Wind Power Outlook 2010" ("GWEC 2010 China Wind Outlook"), the domestic wind market grew 114.7%, adding 10,129 wind turbines or 13.8GW of new capacity and bringing total installed wind capacity to 25.8GW. According to the GWEC 2009 Global Wind Report, China will add 20GW of wind capacity annually through 2014 and the domestic wind market will reach 200-250GW in installed capacity by 2020.

We believe that it costs approximately \$1 billion to install 1GW of wind capacity in China, thereby resulting in capital investments of approximately \$200-\$250 billion by 2020. Wind energy resources are widely distributed in China, with rich resources concentrated in the three northern (northeast, north and northwest), southeast coastal and inland regions. According to Zenith International Research, “Wind Power Capacity Analysis, February 25, 2009” (“Zenith 2009 Wind Analysis”), approximately 80% of all wind resources in China exist within the nine northern provinces of China, five of which are located within 500 miles of our manufacturing facilities.

### Company History

We operate through two wholly owned subsidiaries organized under the laws of the PRC – Liaoning Creative Bellows Co., Ltd. (“Creative Bellows”) and Liaoning Creative Wind Power Equipment Co., Ltd. (“Creative Wind Power”). Creative Bellows, which was incorporated on September 17, 2007, is our wholly foreign-owned enterprise (“WFOE”) and it owns 100% of Creative Wind Power, which was incorporated on May 26, 2009. Creative Bellows produces bellows expansion joints, pressure vessels and other fabricated metal specialty products. Creative Wind Power markets and sells wind towers designed and manufactured by Creative Bellows, which provides the production expertise, employees and facilities for wind tower production.

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 and engaged in the search for mineral deposits or reserves. On June 18, 2010, we changed our name to CleanTech Innovations, Inc. 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’ ordinary shares was accomplished pursuant to the terms of a Share Exchange Agreement and Plan of Reorganization, dated July 2, 2010 (the “Share Exchange Agreement”), by and between Creative Bellows and the Company. Pursuant to the Share Exchange Agreement, we acquired from Creative Bellows all of its equity interests in exchange for the issuance of 15,122,000 shares of our common stock to the shareholders of Creative Bellows (the “Share Exchange”). Concurrent with the closing of the transactions contemplated by the Share Exchange Agreement and as a condition thereof, we entered into an agreement with Mr. Jonathan Woo, our former Chief Executive Officer and Director, pursuant to which he returned 40,000,000 shares of our common stock to us for cancellation. Mr. Woo received compensation of \$40,000 from us for the cancellation of his shares of our common stock. Upon completion of the foregoing Share Exchange transactions, we had 19,130,000 shares of common stock issued and outstanding. For accounting purposes, the Share Exchange transaction was treated as a reverse acquisition and recapitalization of Creative Bellows because, prior to the transaction, the Company was a non-operating public shell and, subsequent to the transaction, the Creative Bellows’ shareholders beneficially owned a majority of the outstanding common stock of the Company and will exercise significant influence over the operating and financial policies of the consolidated entity.

Our principal offices are located at C District, Maoshan Industry Park, Tieling Economic Development Zone, Tieling, Liaoning Province, China 112616. Our phone number is (86) 0410-6129922 and our website address is [www.ctiproduct.com](http://www.ctiproduct.com). The information contained on our website is not a part of this prospectus.

### The Offering

|  |                        |
|--|------------------------|
| Common stock outstanding before the offering | 24,963,322 shares      |
| Common stock offered by selling shareholders | Up to 4,487,500 shares |



The maximum number of shares to be sold by the selling shareholders, 4,487,500 shares, represents 16.65% of our outstanding stock, assuming full exercise of the warrants

Common stock to be outstanding after the offering

26,950,822 shares, assuming full exercise of the warrants

Use of proceeds

We will not receive any proceeds from the sale of the common stock. To the extent that the selling shareholders exercise for cash all of the warrants covering the 1,987,500 shares of common stock issuable upon exercise of all of the warrants, we would receive \$7,950,000 from such exercises. We intend to use such proceeds for general corporate and working capital purposes. See "Use of Proceeds" for a complete description.

Risk Factors

The purchase of our common stock involves a high degree of risk. You should carefully review and consider the "Risk Factors" beginning on page 5.

The number of shares of our common stock shown in the preceding table to be outstanding after this offering is based on 24,963,322 shares outstanding as of December 13, 2010, which excludes 833,310 shares of our common stock issuable upon exercise of warrants outstanding as of December 13, 2010, at an exercise price of \$3.00 per share and stock options outstanding as of December 13, 2010, to purchase 30,000 shares of our common stock at an exercise price of \$8.44 per share.

The shares of our common stock offered by the selling shareholders identified in this prospectus were acquired by the selling shareholders through a private placement offering conducted by the Company. On December 13, 2010, we completed a closing of the private placement offering pursuant to which we sold 2,500,000 Units (as defined below) to the selling shareholders at \$4.00 per Unit for \$10,000,000. Each “Unit” was offered and sold at a purchase price of \$4.00 per Unit and consisted of one share of our common stock and a warrant to purchase 67.5% of one share of our common stock. All warrants are immediately exercisable, expire on the fifth anniversary of their issuance and entitle their holders to purchase one share of our common stock at \$4.00 per share. All of the shares and warrants were issued to the selling shareholders prior to the filing of this prospectus in a private placement offering exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), under Regulation S promulgated thereunder.

## RISK FACTORS

Our business and an investment in our securities are subject to a variety of risks. The following risk factors describe the most significant events, facts or circumstances that could have a material adverse effect upon our business, financial condition, results of operations, ability to implement our business plan, and the market price for our securities. Many of these events are outside of our control. If any of these risks actually occurs, our business, financial condition or results of operation may be materially adversely affected. In such case, the trading price of our common stock could decline and investors in our common stock could lose all or part of their investment.

### Risks Related to Our Business

Our limited operating history may not serve as an adequate basis to judge our future prospects and results of operations, and our limited revenues may affect our future profitability.

We and our subsidiaries began operations for the production of fabricated metal specialty components in September 2007 and introduced our bellows expansion joints products and pressure vessels in the first quarter of 2009 and our wind tower products in the first quarter of 2010. Our limited history of designing and manufacturing these fabricated metal specialty components may not provide a meaningful basis on which to evaluate our business. Moreover, we have limited revenues and we cannot assure you we will be able to expand our business and gross revenue with sufficient speed to maintain our profitability and not incur net losses in the future. While we expect our operating expenses to increase as we expand, any significant failure to realize anticipated revenue growth could result in significant operating losses. We will continue to encounter risks and difficulties frequently experienced by companies at a similar stage of development, including our potential failure to:

- § maintain our proprietary technology;
- § expand our product offerings and maintain the high quality of our products;
- § manage our expanding operations, including the integration of any future acquisitions;
- § obtain sufficient working capital to support our expansion and to fill customers’ orders in time;

§ maintain adequate control of our expenses;

§ implement our product development, marketing, sales, and acquisition strategies and adapt and modify them as needed;

§ anticipate and adapt to changing conditions in the wind power, steel, petrochemical and thermoelectric industries as well as the impact of any changes in government regulation, mergers and acquisitions involving our competitors, technological developments and other significant competitive and market dynamics.

Our inability to manage successfully any or all of these risks may materially and adversely affect our business.

Our plans for growth rely on an increasing emphasis on the wind power industry; this sector faces many challenges, which may limit our potential for growth in this new market.

Our principal plan for growth is to manufacture wind towers, our latest fabricated metal specialty component, for the China domestic wind power industry. As of September 30, 2010, approximately 92% of our revenues were from sales of our wind towers. We expect a majority of our future revenues and earnings to come from sales of wind towers for the growing wind power industry in China.

The wind power industry sector in China faces many challenges as it expands, however, including a reliance on continued PRC government environmental and energy conservation policies and incentive programs, which together are one of the industry's major growth drivers. Wind power accounts for a small percentage of the power generated in China currently, and the existing power grid and transmission system lags behind existing and planned wind power plant construction. Furthermore, the wind power industry is generally not competitive without government incentive programs and initiatives because of the relatively high generation costs for wind power compared to most other energy sources. The current government incentive programs and initiatives include a feed-in tariff paid to wind power producers by grid utility companies, the mandatory obligation of grid utility companies to purchase all the electricity generated by renewable energy projects within its grid coverage, preferential tax treatment and government spending and grants for renewable energy programs. Most of our customers are highly dependent on these government incentives, initiatives and other favorable policies to support their operations at a relatively acceptable cost level. There can be no assurance that PRC government support of the wind power industry will continue at its current level or at all, and any decrease or elimination of government incentives currently available to industry participants may result in increased operating costs incurred by our current customers or discourage our potential customers from purchasing our products.

Our ability to market to this industry segment is dependent upon both an increased acceptance of wind power as an energy source in China and the industry's acceptance of our products. We believe there will continue to be an increased demand for wind power in China and that the power companies installing wind-generated power equipment will purchase our products. We cannot assure you that we will be able to continue to develop this business successfully, however, and our failure to develop the business further will have a material adverse effect on our overall financial condition and the results of our operations. Additionally, any uncertainties or adverse changes in government incentives, initiatives or policies relating to the wind power industry will materially and adversely affect the investment plans of our customers and consequently our growth.

Contracts for wind power projects in China are awarded through competitive public bids and there is no assurance that we will be asked to bid on new projects or that we will win these bids.

Utilities in China award contracts for wind towers on a competitive basis. We are generally aware of upcoming projects by region as established in annual NDRC wind development plans and through our proprietary customer relationships. However, utilities disclose specific requests for proposals publicly via the Internet, which we monitor on a regular basis, when they are prepared to accept bids. As a precursor to bidding, suppliers like us must maintain their status as a qualified supplier to the utility as well as possess a license to manufacture Class III A2 pressure vessels, which is often a specific requirement to bid on wind tower contracts. A substantial deposit based upon contract amount, typically around \$125,000, is required for each bid and is returned to the bidder approximately three months following bid submission. This process helps to ensure that only companies with competent manufacturing and sufficient capitalization bid on projects. Competitive factors on wind tower bids include price, geographical proximity of the manufacturer to the wind power project and manufacturer reputation for quality and on-time delivery. It is our experience that typically three to six companies bid per contract.

We may not be successful in future bids and may fail to obtain new projects as a result. We believe we remain competitive in our pricing and delivery schedules for wind towers, but we cannot assure you our competitors will not underbid us. If we are unable to maintain our good relationships and qualified supplier status with the utilities, we may not be allowed to participate in the bidding process on new projects. Our license to manufacture Class III A2 pressure vessels expires in January 2013, and, although management believes we will be able to renew the license without issue, if we are unable to renew our license, we may not be able to bid on new wind tower contracts. Furthermore, we must maintain sufficient capital to source deposits made in connection with our bids, which may limit our ability to optimize our working capital allocation. To the extent we are unsuccessful in our bids to provide wind towers to new wind power projects, our future growth may be materially and adversely affected.

We derive a substantial part of our revenues from several major customers. If we lose any of these customers or they reduce the amount of business they do with us, our revenues may be seriously affected.

Our four largest customers accounted for approximately 51% of total sales for the fiscal year ended December 31, 2009, and our largest customer accounted for approximately 19% of total sales in the fiscal year ended December 31, 2009. Our four largest customers accounted for approximately 85% of total sales for the nine months ended September 30, 2010, and our largest customer accounted for approximately 24% of total sales for the nine months ended September 30, 2010. These customers may not maintain the same volume of business with us in the future. If we lose any of these customers or they reduce the amount of business they do with us, our revenues and profitability may be seriously affected. With our recent entry into the wind tower market, we expect to generate significant revenues from a limited number of large-scale industrial customers. We do not foresee our relying on these same customers for revenue generation as we introduce new product lines and new generations of existing product lines because we expect our customers to change with each large-scale project. We cannot be assured, however, that we will be able to introduce successfully new products for large-scale projects in the future.

Additionally, many of our customers purchase our equipment as part of their capital budget. As a result, we are dependent upon receiving orders from companies that are either expanding their business, commencing a new business, upgrading their capital equipment or otherwise require capital equipment. Our business is therefore dependent upon both the economic health of these industries and our ability to offer products that meet regulatory requirements, including environmental requirements, of these industries and are cost justifiable, based on potential regulatory compliance and cost savings in using our equipment in contrast to existing equipment or equipment offered by others. Any economic slowdown can affect all purchasers and manufacturers of capital equipment, and we cannot assure you that our business will not be significantly impaired as a result of the current worldwide economic downturn.

If we lose our key personnel, or are unable to attract and retain additional qualified personnel, the quality of our services may decline and our business may be adversely impacted.

We rely heavily on the expertise, experience and continued services of our senior management, including our Chief Executive Officer, Ms. Bei Lu. Loss of her services could adversely impact our ability to achieve our business objectives. Ms. Lu is a key factor in our success at establishing relationships with the major utility and industrial companies using our products because of her extensive industry experience and reputation. The continued development of our business depends upon the continued employment of Ms. Lu. We do not currently have an employment agreement with Ms. Lu, and her standard labor contract does not include provisions for non-competition or confidentiality.

We believe our future success will depend upon our ability to retain key employees and our ability to attract and retain other skilled personnel. The rapid growth of the economy in China has caused intense competition for qualified personnel. We cannot guarantee that any employee will remain employed by us for any definite period of time or that we will be able to attract, train or retain qualified personnel in the future. Such loss of personnel could have a material adverse effect on our business and company. Moreover, qualified employees periodically are in great demand and may be unavailable in the time frame required to satisfy our customers' requirements. We need to employ additional personnel to expand our business. There is no assurance we will be able to attract and retain sufficient numbers of highly skilled employees in the future. The loss of personnel or our inability to hire or retain sufficient personnel at competitive rates could impair the growth of our business.

We may not be able to keep pace with competition in our industry.

Our business is subject to risks associated with competition from new or existing industry participants who may have more resources and better access to capital. Many of our competitors and potential competitors may have substantially greater financial and government support, technical and marketing resources, larger customer bases, longer operating histories, greater name recognition and more established relationships in the industry than we do. Among other things, these industry participants compete with us based upon price, quality, location and available capacity. We cannot be sure we will have the resources or expertise to compete successfully in the future. Some of our competitors may also be able to provide customers with additional benefits at lower overall costs to increase market share. We cannot be sure we will be able to match cost reductions by our competitors or that we will be able to succeed in the face of current or future competition. In addition, we may face competition from our customers as they seek to become more vertically integrated in order to offer full service packages. Some of our customers are also performing more services themselves.

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 and providing us a competitive advantage when bidding on new wind tower contracts in the region. We currently are the sole certified wind tower manufacturer in Tieling, Liaoning Province. Our competitive advantage in the region based on location would be harmed if a competitor established wind tower manufacturing facilities in or around Tieling.

We will face different market dynamics and competition as we develop new products to expand our target markets. In some markets, our future competitors would have greater brand recognition and broader distribution than we currently enjoy. We may not be as successful as our competitors in generating revenues in those markets due to the lack of recognition of our brand, lack of customer acceptance, lack of product quality history and other factors. As a result, any new expansion efforts could be more costly and less profitable than our efforts in our existing markets.

If we are not as successful as our competitors in our target markets, our sales could decline, our margins could be impacted negatively and we could lose market share, any of which could materially harm our business.

Our products may contain defects, which could adversely affect our reputation and cause us to incur significant costs.

Despite testing by us, defects may be found in existing or new products. Any such defects could cause us to incur significant return and exchange costs, re-engineering costs, divert the attention of our engineering personnel from product development efforts, and cause significant customer relations and business reputation problems. Any such defects could force us to undertake a product recall program, which could cause us to incur significant expenses and could harm our reputation and that of our products. If we deliver defective products, our credibility and the market acceptance and sales of our products could be harmed.

The nature of our products creates the possibility of significant product liability and warranty claims, which could harm our business.

Material failure of any of our wind towers, bellows expansion joints or pressure vessels would have a material adverse effect on our business. Customers use some of our products in potentially hazardous applications that can cause injury or loss of life and damage to property, equipment or the environment. In addition, some of our products are integral to the production process for some end-users and any failure of our products could result in a suspension of operations. Although we perform extensive non-destructive testing on our products prior to delivery, we cannot be certain our products will be completely free from defects. Our wind towers are designed to exceed the entire expected life of its wind turbine installation, typically 20 years, but we cannot assure you of the operational life of our wind towers or about their medium to long-term performance and operational reliability. As of September 30, 2010, we have delivered 137 wind tower units. Moreover, we do not have any product liability insurance and may not have adequate resources to satisfy a judgment in the event of a successful claim against us. While we have not yet experienced any product liability claims against us, as a result of our limited operating history, we cannot predict whether product liability claims will be brought against us in the future or the impact of any resulting negative publicity on our business. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments.

We do not accrue any warranty reserve because of our extensive quality control procedures and short warranty period, factors which we believe will result in no warranty expenses. Moreover, we have no historic basis to establish a reserve because of our limited operating history and lack of warranty expense since our commencement of production.

We offer a warranty on our products to each of our customers to repair or replace any defective product during the warranty term, which is a negotiated term of up to 24 months from the customer acceptance date, but we record no reserve for warranty claims currently. Warranty expense accrual is a company estimate of future warranty claims primarily based on our extensive testing and quality control procedures with consideration also given to our history of no prior warranty claims and abbreviated operating history. As of September 30, 2010, the Company had not incurred any warranty expense since our commencement of production in 2009. The Company has implemented a stringent set of internal manufacturing protocols to ensure product quality beginning at the time raw materials are received into our facilities up to the final inspection at the time products are shipped to the customer, including extensive non-destructive tests for defect detection. During the manufacturing process, both our internal quality control staff and our customers' full time onsite inspectors track and inspect the work in progress. Additionally, our products are tested by the Bureau of Quality and Technical Supervision under national standards. Upon receiving the products, our customers will inspect the products further prior to acceptance. The Company has analyzed the need to make warranty accruals and concluded, based on the aforementioned factors, that such accrual is not necessary. Although we believe our making of no accrual for warranty expense is appropriate given our belief that our stringent set of internal manufacturing protocols, redundant testing and inspection of products and short term of warranty period together limit our potential warranty expenses, if the Company incurs warranty claims in the future, we would be required to adjust the reserve and accrue for warranty expense accordingly.

We are a major purchaser of certain raw materials that we use in the manufacturing process of our products, and price changes for the commodities we depend on may adversely affect our profitability.

The Company's largest raw materials purchases consist of stainless steel and carbon steel. As such, fluctuations in the price of steel in the domestic market will have an impact on the Company's operating costs and related profits. International steel prices were lower in 2009 than in 2008, but prices have increased in 2010 along with the general economic recovery. The iron ore import price in China has also increased since 2009, which will impact the price and volume of steel produced by the China domestic steel industry.



Our profitability depends in part upon the margin between the cost to us of certain raw materials, such as stainless steel and carbon steel, used in the manufacturing process, as well as our fabrication costs associated with converting such raw materials into assembled products, compared to the selling price of our products, and the overall supply of raw materials. It is our intention to base the selling prices of our products in part upon the associated raw materials costs to us. However, we may not be able to pass all increases in raw material costs and ancillary acquisition costs associated with taking possession of the raw materials through to our customers. Although we are currently able to obtain adequate supplies of raw materials, it is impossible to predict future availability or pricing. The inability to offset price increases of raw material by sufficient product price increases, and our inability to obtain raw materials, would have a material adverse effect on our consolidated financial condition, results of operations and cash flows.

The Company does not engage in hedging transactions to protect against raw material fluctuations. We attempt to mitigate the short-term risks of price swings of raw materials by obtaining firm pricing commitments from our suppliers in advance for inclusion in our bids for large sales contracts. This strategy for controlling raw material costs on large sales of our wind towers and other fabricated metal specialty components is intended to help lock in our margins at the time the bid is awarded or we enter into the sales contract.

As the wind power industry continues to be a larger part of our business, our business will become more seasonal.

Our business is subject to seasonal-related fluctuations in sales volumes because we sell products that are installed outdoors and, consequently, weather conditions may affect demand for our products. Sales of our wind towers to the wind power industry in the northern provinces of China are affected by seasonal variations in both weather and customer operations. Utilities typically place requests for proposals for new wind tower contracts in the fourth and first calendar quarters according to their internal operational schedules and annual budget requirements. In order to satisfy delivery schedules under these contracts, we manufacture most of our wind towers during the second and third calendar quarters for delivery in the second, third and fourth calendar quarters. Customers request delivery during these quarters when the weather conditions in the northern provinces of China, where our manufacturing facilities and our customers' wind farms are located, are more favorable for the installation of wind towers by the customer. As we expect the majority of our future revenues and earnings will be from the sale of wind towers to the wind power industry in China, our business will become more affected by the industry's seasonal variations.

If we are not able to manage our rapid growth, we may not be profitable.

Our business has undergone rapid growth since we commenced production in early 2009. For the nine month period ending September 30, 2010, our net revenue was \$14.7 million, a 440% increase over the twelve month period ended December 31, 2009. Our continued success will depend on our ability to expand and manage our operations and facilities. There can be no assurance we will be able to manage our growth, meet the staffing requirements for our business or successfully assimilate and train new employees. In addition, to manage our growth effectively, we may be required to expand our management base and enhance our operating and financial systems. If we continue to grow, there can be no assurance the management skills and systems currently in place will be adequate. Moreover, there can be no assurance we will be able to manage any additional growth effectively. Failure to achieve any of these goals could have a material adverse effect on our business, financial condition or results of operations.

We may need additional capital to execute our business plan and fund operations and may not be able to obtain such capital on acceptable terms or at all.

In connection with the rapid development and expansion of our business, we will incur significant capital and operational expenses. Management anticipates that our existing capital resources and cash flows from operations and from our recent private placement transaction and current short-term bank loans will be adequate to satisfy our liquidity requirements for the next 12 months. However, if available liquidity is not sufficient to meet our plans for expansion, current operating expenses and loan obligations as they come due, our plans include considering pursuing alternative financing arrangements. Our ability to obtain additional capital on acceptable terms or at all is subject to a variety of uncertainties, including:

- § investors' perceptions of, and demand for, companies in our industry;
- § investors' perceptions of, and demand for, companies operating in China;
- § conditions of the United States and other capital markets in which we may seek to raise funds;
- § our future results of operations, financial condition and cash flows;
- § governmental regulation of foreign investment in companies in particular countries;
- § economic, political and other conditions in the United States, China, and other countries; and
- § governmental policies relating to foreign currency borrowings.

We may be required to pursue sources of additional capital through various means, including joint venture projects and debt or equity financings. There is no assurance we will be successful in locating a suitable financing transaction in a timely fashion or at all. In addition, there is no assurance we will obtain the capital we require by any other means. Future financings through equity investments are likely to be dilutive to our existing shareholders. Also, the terms of securities we may issue in future capital transactions may be more favorable for our new investors. Newly issued securities may include preferences or superior voting rights, be combined with the issuance of warrants or other derivative securities, or be the issuances of incentive awards under equity employee incentive plans, which may have additional dilutive effects. Furthermore, we may incur substantial costs in pursuing future capital and financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which will adversely impact our financial condition.

If we cannot raise additional funds on favorable terms or at all, we may not be able to carry out all or parts of our strategy to maintain our growth and competitiveness or to fund our operations. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, even to the extent that we reduce our operations accordingly, we may be required to cease operations.

We may not be able to attract the attention of major brokerage firms because we became public by means of a share exchange.

There may be risks associated with our becoming public through the Share Exchange Agreement. Analysts of major brokerage firms may not provide our company coverage because there is no incentive for brokerage firms to recommend the purchase of our common stock. Furthermore, we can give no assurance that brokerage firms will, in the future, want to conduct any secondary offerings on our behalf.

Our accounts receivables remain outstanding for a significant period of time, which has a negative impact on our cash flow and liquidity.

Our agreements with our customers generally provide that 30% of the purchase price is due upon the placement of an order, 30% upon reaching certain milestones in the manufacturing process and 30% upon customer acceptance of the product. 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 our warranty period, which is a negotiated term of up to 24 months from the acceptance date. We account for payments received from customers prior to customer acceptance of the product as unearned revenue.

We are required to maintain various licenses and permits regarding our manufacturing business, and the loss of or failure to renew any or all of these licenses and permits may require the temporary or permanent suspension of some or all of our operations.

In accordance with the laws and regulations of the PRC, we are required to maintain various licenses and permits in order to operate our manufacturing business. We are required to acquire a manufacturing license for specialized equipment from the State General Administration of the PRC for Quality Supervision and Inspection and Quarantine in order to manufacture pressure vessels of the Class III A2 grade. Many large-scale industrial companies in China require manufacturers like us to have this Class III A2 grade manufacturing license before allowing for the submission of bids on contracts for fabricated metal specialty components such as wind towers. Our nondestructive radiological testing of products includes the use of x-rays for defect detection and we are required to maintain our defect detection room in compliance with PRC Ministry of Health standards for radiological protection standards for industrial x-rays. Failure to maintain these standards, or the loss of or failure to renew such licenses and production permits, could result in the temporary or permanent suspension of some or all of our production or distribution operations and could adversely affect our revenues and profitability.

We may experience material disruptions to our manufacturing operations.

While we seek to operate our facilities in compliance with applicable rules and regulations and take measures to minimize the risks of disruption at our facilities, a material disruption at one of our manufacturing facilities could prevent us from meeting customer demand, reduce our sales and/or negatively impact our financial results. Any of our manufacturing facilities, or any of our machines within an otherwise operational facility, could cease operations unexpectedly due to a number of events, including: prolonged power failures; equipment failures; disruptions in the transportation infrastructure including roads, bridges, railroad tracks; and fires, floods, earthquakes, acts of war, or other catastrophes.

We cannot be certain our product innovations and marketing successes will continue.

We believe our past performance has been based on, and our future success will depend, in part, upon our ability to continue to improve our existing products through product innovation and to develop, market and produce new products. We cannot assure you that we will be successful in introducing, marketing and producing any new products or product innovations, or that we will develop and introduce in a timely manner innovations to our existing products which satisfy customer needs or achieve market acceptance. Our failure to develop new products and introduce them successfully and in a timely manner could harm our ability to grow our business and could have a material adverse effect on our business, results of operations and financial condition.

The technology used in our products may not satisfy the changing needs of our customers.

While we believe we have hired or engaged personnel who have the experience and ability necessary to keep pace with advances in technology, and while we continue to seek out and develop “next generation” technology through our research and development efforts, there is no guarantee we will be able to keep pace with technological developments and market demands in our target industries and markets. Although certain technologies in the industries we occupy are well established, we believe our future success depends in part on our ability to enhance our existing products and develop new products in order to continue to meet customer demands. With any technology, including the technology of our current and proposed products, there are risks that the technology may not address successfully all of our customers’ needs. Moreover, our customers’ needs may change or vary. This may affect the ability of our present or proposed products to address all of our customers’ ultimate technology needs in an economically feasible manner, which could have a material adverse effect on our business.

Our insurance coverage may be inadequate to protect us from potential losses.

We do not maintain business interruption insurance. The insurance industry in China is in its early stage of development and the business interruption insurance and the product liability insurance available currently in China offers limited coverage compared to that offered in many other countries, especially in the United States. Any business disruption or natural disaster could result in substantial costs and a diversion of resources, which would have a material and adverse effect on our business and results of operations. On the other hand, our business operations, particularly our production facilities, involve risks and hazards that could result in damage to, or destruction of, property and machinery, personal injury, business interruption and possible legal liability. In addition, we do not have product liability insurance covering bodily injuries and property damage caused by the products we sell. Therefore, as with other manufacturers of fabricated metal specialty components in China, we are exposed to risks associated with product liability claims and may need to bear the litigation cost if the use of our products results in bodily injury or property damage. We do not carry key-man life insurance, and if we lose the services of any senior management and key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and prospects. Furthermore, we do not have property insurance and as such we are exposed to risks associated with losses in values of our equipment, facilities and inventory due to fire, earthquake, flood and a wide range of natural disasters. We do not have personal injury insurance and accidental medical care insurance. Although we require that the third-party transportation companies we engage maintain insurance policies with respect to inland transit risks for our products, the coverage may be inadequate to protect us from potential claims against us and the losses that may result.

We face risks associated with managing domestic operations.

All of our operations are conducted in China. There are a number of risks inherent in doing business in such market, including the following:

- § unfavorable political or economical factors;
- § fluctuations in foreign currency exchange rates;
- § potentially adverse tax consequences;
- § unexpected legal or regulatory changes;
- § lack of sufficient protection for intellectual property rights;
- § difficulties in recruiting and retaining personnel, and managing international operations; and
- § less developed infrastructure.

Our inability to manage successfully the risks in our China domestic activities could adversely affect our business. We can provide no assurances that any new market expansion will be successful because of the risks associated with conducting such operations, including the risks listed above.

We may not be able to protect our technology and other proprietary rights adequately.

Our success will depend in part on our ability to obtain and protect our products, methods, processes and other technologies, to preserve our trade secrets, and to operate without infringing on the proprietary rights of third parties, both domestically and abroad. Despite our efforts, any of the following may reduce the value of our owned and used intellectual property:

- § issued patents and trademarks that we own or have the right to use may not provide us with any competitive advantages;
- § our efforts to protect our intellectual property rights may not be effective in preventing misappropriation of our technology or that of those from whom we license our rights to use;
- § our efforts may not prevent the development and design by others of products or technologies similar to or competitive with, or superior to those we use or develop; or
- § another party may obtain a blocking patent and we or our licensors would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in our products.

Effective protection of intellectual property rights may be unavailable or limited in certain foreign countries. If we are unable to protect our proprietary rights adequately, it would have a negative impact on our operations.

We, or the owners of the intellectual property rights licensed to us, may be subject to claims that we or such licensors have infringed the proprietary rights of others, which could require us and our licensors to obtain a license or change designs.

Although we do not believe any of our products infringe upon the proprietary rights of others, there is no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against us or those from whom we have licenses or that any such assertions or prosecutions will not have a material adverse affect on our business. Regardless of whether any such claims are valid or can be asserted successfully, defending against such claims could cause us to incur significant costs and could divert resources away from our other activities. In addition, assertion of infringement claims could result in injunctions that prevent us from distributing our products. If any claims or actions are asserted against us or those from whom we have licenses, we may seek to obtain a license to the intellectual property rights that are in dispute. Such a license may not be available on reasonable terms, or at all, which could force us to change our designs.

Our business could be subject to environmental liabilities.

As is the case with manufacturers of similar products, we use certain hazardous substances in our operations. Currently, we do not anticipate any material adverse effect on our business, revenues or results of operations as a result of compliance with the environmental laws and regulations of the PRC. However, the risk of environmental liability and charges associated with maintaining compliance with PRC environmental laws is inherent in the nature of our business, and there is no assurance that material environmental liabilities and compliance charges will not arise in the future.

We will incur significant costs as a result of our operating as a public company and our management will be required to devote substantial time to new compliance initiatives.

While we are a public company, our compliance costs prior to the Share Exchange in July 2010 were not substantial in light of our limited operations. Creative Bellows never operated as a public company prior to the Share Exchange. As a public company with substantial operations, we will incur increased legal, accounting and other expenses. The costs of preparing and filing annual and quarterly reports, proxy statements and other information with the SEC and furnishing audited reports to shareholders is time-consuming and costly.

It will also be time-consuming, difficult and costly for us to develop and implement the internal controls and reporting procedures required by the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). Certain members of our management have limited or no experience operating a company whose securities are listed on a national securities exchange or with the rules and reporting practices required by the federal securities laws and applicable to a publicly traded company. We will need to recruit, hire, train and retain additional financial reporting, internal control and other personnel in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act, we may not be able to obtain the independent accountant certifications required by the Sarbanes-Oxley Act.

If we fail to establish and maintain an effective system of internal controls, we may not be able to report our financial results accurately or prevent fraud. Any inability to report and file our financial results accurately and timely could harm our business and adversely impact the trading price of our common stock.

We are required to establish and maintain internal controls over financial reporting, disclosure controls, and to comply with other requirements of the Sarbanes-Oxley Act and the rules promulgated by the SEC. Our management, including our Chief Executive Officer and Chief Financial Officer, cannot guarantee that our internal controls and disclosure controls will prevent all possible errors or prevent all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no system of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Furthermore, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or the degree of compliance with policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

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

After the Share Exchange, we became a holding company with no material assets other than the stock of our wholly owned subsidiaries, Creative Bellows and Creative Wind Power, which is a wholly owned subsidiary of Creative Bellows. Accordingly, Creative Bellows and Creative Wind Power will conduct all of our operations, which are responsible for research, production and delivery of goods. We currently expect that we will primarily retain the earnings and cash flow of our subsidiaries for use by us in our operations.

All of Creative Bellows' liabilities survived the Share Exchange and there may be undisclosed liabilities that could have a negative impact on our financial condition.



Before the Share Exchange, certain due diligence activities on the Company and Creative Bellows were performed. The due diligence process may not have revealed all liabilities (actual or contingent) of the Company and Creative Bellows that existed or which may arise in the future relating to the Company's activities before the consummation of the Share Exchange. Notwithstanding that all of the Company's pre-closing liabilities were transferred to a third party 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 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 the Company's pre-closing activities could harm our financial condition and results of operations.

New accounting standards could result in changes to our methods of quantifying and recording accounting transactions, and could affect our financial results and financial position.

Changes to the U.S. Generally Accepted Accounting Principles arise from new and revised standards, interpretations, and other guidance issued by the Financial Accounting Standards Board, the SEC, and others. In addition, these or other U.S. entities may issue new or revised Cost Accounting Standards or Cost Principles. The effects of such changes may include prescribing an accounting method where none had been previously specified, prescribing a single acceptable method of accounting from among several acceptable methods that currently exist, or revoking the acceptability of a current method and replacing it with an entirely different method, among others. Such changes could result in unanticipated effects on our results of operations, financial position, and other financial measures.

#### Risks Related to Our Business being Conducted in China

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 a significant extent, to the economic, political and legal developments in China. While China's economy has experienced significant growth in the past twenty 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 benefit the overall economy of China, but they may also 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. The economy of China has been transitioning from a planned economy to a more market-oriented economy. 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.

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

Historically, China has not adopted a Western 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 Western standards.

Our bank accounts are not insured or protected against loss.

We maintain our cash with various national banks located in China. Our cash accounts are not insured or otherwise protected. Should any bank holding our cash deposits become insolvent, or if we are otherwise unable to withdraw funds, we would lose the cash on deposit with that particular bank.

We have limited business insurance coverage and may incur losses due to business interruptions resulting from natural and man-made disasters, and our insurance may not be adequate to cover liabilities resulting from accidents or injuries that may occur.

The insurance industry in China is still in an early stage of development and insurance companies located in China offer limited business insurance products. In the event of damage or loss to our properties, our insurance may not provide as much coverage as if we were insured by insurance companies in the United States. We currently carry property and casualty insurance for our buildings, plant and equipment but cannot assure you that the coverage will be adequate to replace fully any damage to any of the foregoing. Should any natural catastrophes such as earthquakes, floods, or any acts of terrorism occur where our primary operations are located and most of our employees are based, or elsewhere, we might suffer not only significant property damage, but also loss of revenues due to interruptions in our business operations. The occurrence of a significant event for which we are not fully insured or indemnified, and/or the failure of a party to meet its underwriting or indemnification obligations, could materially and adversely affect our operations and financial condition. Moreover, no assurance can be given that we will be able to maintain adequate insurance in the future at rates we consider reasonable.

We may face judicial corruption in China.

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 poorly developed and sometimes corrupt judicial systems.

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 enterprise or even 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 even 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.

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

Although we use the United States dollar for financial reporting purposes, most of the transactions effected by our operating subsidiaries are denominated in China's Renminbi. The value of the Renminbi fluctuates and is subject to changes in China's political and economic conditions. Since July 2005, the Renminbi has not been pegged to the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future the PRC authorities may lift restrictions on fluctuations in the Renminbi exchange rate and lessen intervention in the foreign exchange market.

Future movements in the exchange rate of the Renminbi 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 U.S. dollar and the Renminbi will affect our financial results reported in U.S. dollar 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 U.S. dollars 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 U.S. dollars and earnings from, and the value of, any U.S. dollar-denominated investments we make in the future. For example, if we need to convert U.S. dollars into RMB for our operational needs and the RMB appreciates against the U.S. dollar 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 U.S. dollars for the purpose of declaring dividends on our common stock or for other business purposes and the U.S. dollar appreciates against the RMB, the U.S. dollar equivalent of our earnings from our subsidiaries in China would be reduced.

Inflation in China could negatively affect our profitability and growth.

The rapid growth of China's economy has been uneven among economic sectors and geographical regions of the country. China's economy grew at an annual rate of 9.60% in the third quarter of 2010, as measured by the year-over-year change in Gross Domestic Product, according to the National Bureau of Statistics of China. Rapid economic growth can lead to growth in the money supply and rising inflation. According to the National Bureau of Statistics of China, the inflation rate in China declined in the second half of 2008 and much of 2009 during the current worldwide economic downturn, before climbing again to a high point of 1.9% in 2009, as compared to 8.7% and 6.9% in 2008. The inflation rate in China is expected to continue to increase in 2010 as the worldwide economy recovers, reaching 3.6% as of September 2010. If prices for our products and services 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.

Furthermore, in order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. The implementation of such policies may impede future economic growth. The People's Bank of China, the central bank of the PRC, kept interest rates fixed during the recent economic crisis, but in the past has effected increases in the interest rates in response to inflationary concerns in the China's economy. If the central bank raises interest rates from the current crisis levels, economic activity in China could slow and, in turn, materially increase our costs and reduce demand for our products and services.

We may not be able to obtain regulatory approvals for our products.

The PRC and local provincial governments regulate the manufacture and sale of our products in China. Although our licenses and regulatory filings are up to date, the uncertain legal environment in China and our industry may be vulnerable to local government agencies or other parties who wish to renegotiate the terms and conditions of or terminate their agreements or other understandings with us.

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 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 and/or our officers and directors by a shareholder or group of shareholders in the United States. 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 offices by United States courts. In addition, the courts in China may not permit the enforcement of judgments arising out of United States federal and state corporate, securities or similar laws. Accordingly, United States investors may not be able to enforce judgments against us for violation of United States securities laws.

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

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 Renminbi 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 China subsidiaries 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 (“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 future revenues will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenues generated in Renminbi to fund our business activities outside China that are denominated in foreign currencies.

Foreign exchange transactions by our China subsidiaries under the capital account continue to be subject to significant foreign exchange controls and require the approval of or need to register with PRC governmental authorities, including SAFE. In particular, if our China subsidiaries borrow foreign currency loans from us or other foreign lenders, these loans must be registered with SAFE, and if we finance our China subsidiaries by means of additional capital contributions, these capital contributions must be approved by certain government authorities, including the NDRC, Ministry of Commerce (“MOFCOM”), or their respective local counterparts. These limitations could affect the ability of our PRC subsidiaries to obtain foreign exchange through debt or equity financing.

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

The SAFE issued a public notice in October 2005 (“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. To clarify further the implementation of Circular 75, the SAFE issued Circular 124 and Circular 106 on November 24, 2005 and May 29, 2007, respectively. Under Circular 106, PRC subsidiaries of an off-shore special purpose company are required to coordinate and supervise the filing of SAFE registrations by the off-shore holding company’s shareholders who are PRC residents in a timely manner. If these shareholders fail to comply, the PRC subsidiaries are required to report to the local SAFE authorities. If the PRC subsidiaries of the off-shore parent company do not report 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 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 above 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 will be interpreted and implemented, and how or whether SAFE will apply it to us.

We have requested our PRC resident beneficial owners, including our Chairman, 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. The Company cannot provide any assurances that all of our present or prospective direct or indirect PRC resident beneficial owners 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 the Company 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 the Company’s 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 PRC foreign exchange regime. To date, all grants of options have been solely to U.S. citizens. The Company has no employee stock ownership plan or share option plan in effect.

These penalties may subject the Company to fines and legal sanctions, prevent the Company from being able to make distributions or pay dividends, as a result of which the Company's business operations and its ability to distribute profits could be materially and adversely affected.

The Company's PRC subsidiary may be exposed to penalties by the PRC government due to noncompliance with taxation, land use and construction administration, environmental and employment rules.

While the Company believes its PRC subsidiary has been in compliance with PRC taxation, land use and construction administration, environmental and employment rules during its operations in China, the Company has not obtained letters from the competent PRC government authorities confirming such compliance. If any competent PRC government authority takes the position that there is noncompliance with the taxation, land use and construction administration, environmental or employment rules by the Company's PRC subsidiary, it may be exposed to penalties by such PRC government authority, in which case the operation of the Company's PRC subsidiary in question may be adversely affected.



We operate in the PRC through our wholly owned operating entities initially approved by the local office of the PRC Ministry of Commerce (“MOFCOM's Local Counterpart”). However, we cannot warrant that such approval procedures have been completely satisfied due to a number of reasons, including changes in laws and government interpretations.

Our operating entities in the PRC have received initial approval from MOFCOM's Local Counterpart and there may be conditions subsequent to complete and maintain such approval. We believe we have satisfied the approval procedures of MOFCOM's Local Counterpart. However, the approval procedures of MOFCOM's Local Counterpart or interpretations of its approval procedures may be different from our understanding or may change. As a result, if our approval is revoked by MOFCOM's Local Counterpart for any reason, there may be a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our shares.

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

The PRC tax system is in a state of flux, and it is anticipated that China's tax regime will be altered in the coming years. 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 impact 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 remains subject to approval and is scheduled to expire over the next several years.

Our operations are located in a privileged economic zone in China and, 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 will not take effect, however, until we receive approval by the local tax bureau, which remains pending. If approved, the tax benefits will be retroactive for 2010 and the 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, reducing our net income below what it would be if we continued to enjoy these exemptions.

We must comply with the Foreign Corrupt Practices Act.

We are required to comply with the United States Foreign Corrupt Practices Act (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. Foreign companies, including some of our competitors, are not subject to these prohibitions. 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. 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.

#### 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. Our common stock was approved for listing on the NASDAQ Capital Market under the symbol "CTEK" beginning on December 15, 2010. Prior to our listing on NASDAQ, shares of our common stock were quoted in the over-the-counter market on the OTC Bulletin Board, or in what are commonly referred to as "pink sheets." We cannot assure you that a larger, active trading market will ever be developed or maintained for our common stock. 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.

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. If our shareholders who received shares of our common stock issued in the Share Exchange sell substantial amounts of our common stock in the public market upon the effectiveness of a registration statement, or upon the expiration of any holding period under Regulation S, such sales could create a circumstance commonly referred to as an “overhang” and 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. The shares of common stock issued in the Share Exchange will be freely tradable upon the earlier of (i) effectiveness of a registration statement covering such shares and (ii) the date on which such shares may be sold without registration pursuant to Regulation S under the Securities Act and the sale of such shares could have a negative impact on the price of our common stock.

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

Our Articles of Incorporation authorize the issuance of up to 100,000,000 shares of common stock, par value \$.00001 per share, and 100,000,000 shares of preferred stock, par value \$.00001 per share. As of December 13, 2010, there were approximately 72,185,868 authorized and unissued shares of our common stock that have not been reserved and are available for future issuance and 100,000,000 authorized and unissued shares of our preferred stock that have not been reserved and are 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 (i) significantly reduce the equity interest of our existing shareholders and (ii) adversely affect prevailing market prices for our common stock.

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. 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.

Capital outflow policies in China may hamper our ability to declare and pay dividends to our shareholders.

China has currency and capital transfer regulations, which may require us to comply with complex regulations for the movement of capital. Although our management believes we will be in compliance with these regulations, should these regulations or the interpretation of them by courts or regulatory agencies change, we may not be able to pay dividends to our shareholders outside of China. In addition, under current PRC law, we must retain a reserve equal to 10% of net income after taxes, not to exceed 50% of registered capital. Accordingly, this reserve will not be available to be distributed as dividends to our shareholders. We presently do not intend to pay dividends in the foreseeable future. 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.

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 December 13, 2010, Ms. Bei Lu, our Chairman and Chief Executive Officer, and our largest shareholder, beneficially owned approximately 37.56% of our outstanding shares. Ms. Lu possesses significant influence over us, giving her the ability, among other things, to exert 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 this shareholder may differ from the interests of our other shareholders.

Provisions in our Articles of Incorporation and Amended and Restated