超威®
CHILWEE

Chaowei Power Holdings Limited
超威動力控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 951)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

- The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 7 July 2010.
- Revenue was approximately RMB1,443.7 million, representing an increase of approximately 28.6% over the corresponding period last year.
- Gross profit was approximately RMB384.1 million, representing an increase of approximately 10.8% over the corresponding period last year.
- Profit attributable to the owners of the Company was approximately RMB119.4 million, representing an increase of approximately 22.9% over the corresponding period last year.
- Basic earnings per share amounted to RMB0.16, representing an increase of 23.1% approximately over the corresponding period last year.

INTERIM RESULTS

The Board of directors (the "Board") of Chaowei Power Holdings Limited (the "Company") is pleased to announce the interim financial results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2010 together with the comparative figures for the corresponding period of 2009. These interim financial results have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Notes	***RMB'000***	*RMB'000*
			(Unaudited)
Revenue	*3*	**1,443,694**	1,122,224
Cost of sales		**(1,059,575)**	(775,500)
Gross profit		**384,119**	346,724
Other income		**24,873**	7,580
Distribution and selling expenses		**(152,251)**	(159,704)
Administrative expenses		**(50,756)**	(34,821)
Research and development expenses		**(21,198)**	(6,744)
Other expenses		**(18,440)**	(1,194)
Finance costs	*4*	**(9,507)**	(6,017)
Share of result of an associate		**–**	(775)
Profit before taxation	*5*	**156,840**	145,049
Income tax expense	*6*	**(26,894)**	(32,765)
Profit and total comprehensive income for the period		**129,946**	112,284
Profit and total comprehensive income attributable to:			
Owners of the Company		**119,413**	97,187
Non-controlling interests		**10,533**	15,097
		129,946	112,284
Earnings per share			
– Basic (RMB)	*7*	**0.16**	0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2010

	Notes	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**483,122**	364,418
Prepaid lease payments-non-current portion		**65,626**	64,899
Investment property		**9,613**	9,904
Deferred tax assets		**27,041**	22,478
Deposits paid for acquisition of property, plant and equipment		**20,371**	21,727
Goodwill		**14,956**	14,956
		620,729	498,382
CURRENT ASSETS			
Inventories		**423,059**	470,734
Trade receivables	*9*	**59,085**	19,368
Bills receivable	*10*	**454,845**	176,330
Prepayments and other receivables		**104,516**	84,550
Amounts due from related parties		**–**	4,449
Prepaid lease payments-current portion		**1,472**	1,451
Restricted bank deposits		**200**	7,861
Bank balances and cash		**198,102**	150,842
		1,241,279	915,585
CURRENT LIABILITIES			
Trade payables	*11*	**269,133**	220,159
Bills payable	*12*	**–**	7,070
Other payables		**170,296**	140,039
Amounts due to related parties		**2,104**	2,071
Income tax payable		**19,184**	29,017
Dividend payable		**32,500**	–
Deferred income-current portion		**350**	350
Provision		**71,076**	57,539
Bank borrowings-due within one year		**136,369**	55,000
		701,012	511,245
NET CURRENT ASSETS		**540,267**	404,340
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,160,996**	902,722

	Notes	At **30 June** **2010** ***RMB'000***	At 31 December 2009 *RMB'000*
CAPITAL AND RESERVES			
Paid-in capital/Share capital		**7**	210,000
Reserves		**789,494**	470,190
Equity attributable to owners of the Company		**789,501**	680,190
Non-controlling interests		**58,088**	47,555
TOTAL EQUITY		**847,589**	727,745
NON-CURRENT LIABILITIES			
Deferred income-non-current portion		**16,654**	16,829
Deferred tax liabilities		**753**	2,148
Bank borrowings – due after one year		**296,000**	156,000
		313,407	174,977
		1,160,996	902,722

Notes:

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 18 January 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 7 July 2010. The registered office of the Company is located at Scotia Centre, 4th floor, P.O. Box 2804, George Town, Grand Cayman, KY1-1112, Cayman Islands, and its principal place of business is located at Xinxing Industry Park Zhicheng, Changxing, Zhejiang Province, PRC. The Group is mainly engaged in manufacture and sales of motive batteries and other related products.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards (“IFRS”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules) and by the Hong Kong Companies Ordinance.

2.1 Adoption of new and revised international financial reporting standards

In the current interim period, the Group has applied the following new and revised Standards, Amendments and Interpretations (“new and revised IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB which have become effective.

IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs 2008
IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

The adoption of these new and revised IFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

3 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of motive batteries. The Group's revenue represents the amount received and receivable for sale of motive batteries during the period.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the executive directors of the Company, who is the Group's chief operating decision maker for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line and the executive directors reviewed the gross profit of the Group as a whole reported under the relevant accounting policies and financial regulations in the PRC, which has no any significant differences as compared with gross profit reported under IFRS. Therefore, the operation of the Group constitutes one single reportable segment. Accordingly, no operating segment is presented.

Most of the external revenues of the Group during the period are contributable to customers established in the PRC, the place of domicile of the Group's operating entities. Meanwhile, the Group's non-current assets are all located in the PRC.

No revenues from a single external customer amount to 10 percent or more of the Group's revenue during the period.

An analysis of revenue by products is as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Lead-acid motive batteries for electric bikes	**1,413,611**	1,067,007
Lead-acid motive batteries for electric cars and storage batteries	**4,356**	1,839
Materials include lead and active additives	**25,727**	53,378
	1,443,694	1,122,224

4 FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Interest expenses on:		
Bank borrowings wholly repayable within five years	**9,507**	3,918
Other borrowings wholly repayable within five years	**–**	814
Finance leases	**–**	1,285
	9,507	6,017

5 PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Wages and salaries	**57,278**	71,451
Retirement benefits scheme contributions	**2,351**	4,454
Labour cost *(note i)*	**47,117**	–
Total staff costs	**106,746**	75,905
Allowance for trade receivables	**268**	1,150
Allowance for other receivables	**250**	–
Allowance for inventories	**8,794**	1,768
Amortisation of prepaid lease payments	**664**	469
Auditors' remuneration	**492**	222
Listing expenses	**11,977**	–
Depreciation of property, plant and equipment	**18,012**	11,771
Depreciation of investment property	**291**	–
Loss on disposal of property, plant and equipment	**968**	30
Loss on impairment of property, plant and equipment	**4,344**	–

Note:

(i) During the six months ended 30 June 2010, the Group entered into labor dispatch agreements with several service organisations, and some of the former employees of the Group are employed by these service organisations and provide service to the Group.

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
The charge comprises:		
PRC current income tax	**32,852**	34,828
Deferred tax	**(5,958)**	(2,063)
	26,894	32,765

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. On 26 December 2007, the EIT Law's Detailed Implementation Rules and the details of the transitional arrangement were promulgated, respectively. They contemplate various transition periods and measures for previous preferential tax policies, including a grace period of a maximum of 5 years until 2012 for the enterprises which were entitled to a lower income tax rate under the previous tax law and continued implementation of preferential tax treatment with a fixed term until the expiration of such fixed term. In addition, the EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law.

Pursuant to the approval of the Zhejiang State Tax Bureau, 超威電源有限公司 (Chaowei Power Co., Ltd.) ("Chaowei Power") which became a foreign investment enterprise in 2006, is exempted from paying PRC income tax for two years starting from the first profit-making year followed by a 50% reduction in income tax rate in the next three years. Chaowei Power commenced its first profit-making year in 2006 and accordingly, the applicable income tax rate for the period was 12.5% (six months ended 30 June 2009: 12.5%).

In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprise was subject to income tax at a tax rate of 15%. 安徽超威電源有限公司 (Anhui Chaowei Power Co., Ltd.) ("Anhui Chaowei") was recognised as New and High Technical Enterprises on 11 November 2009 for 3 years in accordance with the applicable enterprise income tax law of the PRC and was subject to income tax at a tax rate of 15% from 2009 to 2011.

Other subsidiaries established in the PRC were subject to income tax rate of 25% for the six months ended 30 June 2010 (six months ended 30 June 2009: 25%). The Company and its subsidiaries incorporated in British Virgin Islands and Hong Kong had no assessable profits since their incorporation.

7 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(Unaudited)
Profit for the period attributable to owners of the Company	**119,413**	97,187

	Six months ended 30 June	
	2010	2009
	'000	*'000*
Weighted average number of shares	**750,000**	750,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the basis that the ordinary shares of the Company issued upon the Group's reorganisation have been in issue on 1 January 2009 and 749,900,000 ordinary shares issued pursuant to the capitalisation issue completed on 7 July 2010 as disclosed in Note 13 have been adjusted retrospectively.

No diluted earnings per share is presented as the Company did not have potential ordinary shares outstanding during the both periods.

8 DIVIDEND

On 5 March 2010, Chaowei Power declared dividend in the total amount of RMB65,000,000 to its then owners, in which RMB32,500,000 was paid on 8 April 2010. The Board of the Company did not recommend the payment of any interim dividend for the six months ended 30 June 2010.

9 TRADE RECEIVABLES

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Trade receivables	**63,207**	23,222
Less: allowance for doubtful debts	**(4,122)**	(3,854)
	59,085	19,368

The Group normally allows a credit period of 15 days to its trade customers with trading history, or otherwise sales on cash terms are required.

The aged analysis of trade receivables net of allowance for doubtful debts presented based on the delivery date at the end of the reporting period is as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
0 – 15 days	**43,632**	14,643
16 – 90 days	**12,490**	2,697
91 – 180 days	**2,198**	1,478
181 – 365 days	**765**	550
	59,085	19,368

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality.

The aged analysis of trade receivables which are past due but not impaired is as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
16 – 90 days	**12,490**	2,697
91 – 180 days	**2,198**	1,478
181 – 365 days	**765**	550
	15,453	4,725

The Group does not hold any collateral over those balances which are past due but not impaired. The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a large number of counter parties and customers.

Impairment for trade receivables over credit period are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and objective evidences of impairment.

Movements in allowance for trade receivables during the period/year:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
At beginning of the period/year	**3,854**	1,388
Provided for the period/year	**268**	2,466
At end of the period/year	**4,122**	3,854

In determining the recoverability of the trade receivables, the Group reassesses the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period. Based on the historical experience of the Group, the directors believe that no further allowance is required.

10 BILLS RECEIVABLE

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Bills receivable	**454,845**	176,330

The Group has discounted bills receivable of approximately RMB61,369,000 at 30 June 2010 (31 December 2009: Nil) to banks with full recourse. The Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the discounting as bank borrowings.

Bills receivable of approximately RMB169,197,000 at 30 June 2010 (31 December 2009: RMB101,342,000) were endorsed with recourse to third parties and corresponding trade payables of RMB169,197,000 at 30 June 2010 (31 December 2009: RMB101,342,000) were included in the consolidated statement of financial position accordingly.

The aged analysis of bills receivable presented based on the issue date at the end of the reporting period is as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
0 – 90 days	**241,658**	10,362
91 – 180 days	**213,187**	165,968
	454,845	176,330

11 TRADE PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Group normally settles its trade payables within 30 days from the material receiving date.

The aged analysis of trade payables presented based on the material receiving date at the end of the reporting period is as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
0 – 30 days	**71,429**	72,047
31 – 90 days	**98,687**	68,010
91 – 180 days	**87,771**	66,503
181 – 365 days	**4,316**	9,142
1 – 2 years	**4,989**	2,717
Over 2 years	**1,941**	1,740
	269,133	220,159

12 BILLS PAYABLE

The aged analysis of bills payable presented based on issue date at the end of the reporting period is as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
0 – 90 days	**–**	6,070
91 – 180 days	**–**	1,000
	–	7,070

13 SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2010:

(a) Pursuant to the written resolutions of all shareholders of the Company passed on 7 June 2010, the authorised share capital of the Company was increased to US$100,000,000 divided into 10,000,000,000 shares. A sum of US$7,499,000 standing to the credit of the share premium account of the Company was capitalised by applying such sum in paying up in full at par 749,900,000 ordinary shares for allotment and issue to the shareholders of the Company whose name appear on the register of members of the Company at the close of business on 7 June 2010 in proportion to their then respective existing shareholdings in the Company and the directors allotted and issued such shares as aforesaid on 7 July 2010.

(b) On 7 July 2010, the Company issued 250,000,000 ordinary shares of US$0.01 each at the price of HK$2.18 per share by way of placing and public offering. On the same date, the Company's shares were listed on the Stock Exchange.

(c) On 29 July 2010, the Company issued an additional 5,290,000 ordinary shares of US$0.01 each at the price of HK$2.18 per share by way of partial exercise of the over-allotment option.

CHAIRMAN'S STATEMENT

Dear Shareholders:

I am pleased on behalf of the Board to present the first interim report of the Company after its initial public offering on the Stock Exchange in July 2010. For the six months ended 30 June 2010, the Group achieved strong financial performance as it captured market opportunities through initiatives in capacity expansion, technological improvements, enhancement of internal controls and development of its business network.

Market demand for environmentally-friendly motive batteries continued to grow as the Chinese public demonstrated increasing awareness of environmental protection, with energy conservation and reduction of consumption becoming a popular concern. There are currently more than 81 million electric bikes running in China, and the number is rapidly increasing. The electric bike is well-poised to become a principal mode of transportation in China, as favourable factors such as urbanisation, increasing disposal income and policy support from the Central Government continue to drive the growth in the demand for electric bikes.

Leveraging on its expanded business scale and favourable market conditions, the Group recorded strong growth in sales for lead-acid motive batteries, its principal product, and achieved record-high profits. During the six months ended 30 June 2010 (the "Period"), the Group reported turnover of RMB1,443.7 million, representing a substantial increase of 28.6% compared to the same period in 2009. Gross profit and net profit grew by 10.8% and 22.9% to RMB384.1 million and RMB119.4 million, respectively; while basic earnings per share were 23.1% higher at RMB0.16, capping a round of very encouraging results.

The Group has rapidly risen to prominence after its incorporation in 1998 and has become a leading manufacturer of motive batteries for electric bikes in China after years of perseverance, becoming a pioneer in the nation's revolution in green transportation. We have formulated clear strategies to capture emerging opportunities in the market for environmentally-friendly motive batteries and sustaining rapid business growth, through plans to increase production capacity and enhance research and development, while looking to direct consumer behavior by improving the quality of existing products and developing new products with advanced technologies. Meanwhile, we intend to pursue vertical as well as horizontal expansion of our distribution network by seeking business partnerships with suppliers whilst actively identifying opportunities for strategic acquisitions.

With our successful listing on the Stock Exchange on 7 July 2010, the Company has gained access to the international capital markets. Looking to the future, we intend to continue our strong efforts in technological development, streamlining our operations while continuing our active exploration of potential markets and building on our strengths to deliver lucrative returns to our shareholders.

Last but not least, I would like to thank our staff for their hardwork and dedication. I would also like to express gratitude to our business partners for their continued support and trust. We will continue our concerted efforts to grow the Group into a leading manufacturer of motive batteries in China and the world, striving to the best of our ability to help foster a green life with fewer carbon emission on our roads.

Zhou Mingming
Chairman

Hong Kong, 26 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

The Group reported solid operating results in the first half of 2010, recording significant growth in revenue and net profit, as it seized the opportunities arising from the fast growth of the domestic lead-acid motive battery industry through active business promotion, timely expansion of production capacity, improvement in efficiency and enhancement of its internal controls. The results exceeded the profit forecast made in the prospectus issued by the Group dated 24 June 2010 in connection with its global offering.

Market Overview

The electric bike has quickly becoming one of the major modes of transportation in the PRC as it is low-cost, convenient, and relatively energy-efficient, especially in second and third tier cities, where per capita income has risen substantially but transportation networks are not as developed as in the major cities.

China has initiated to reduce its carbon emissions by 40-45% from the levels in 2005 and increase the share of non-fossil energy in its primary energy consumption to around 15% by 2020. The use of electric bikes, which are considered more environmentally-friendly, is expected to help to resolve the issue of carbon emissions. The cumulative market size of electric bikes in China has been steadily expanding in recent years under favourable factors such as urbanisation, increases in disposable income, stronger awareness of environmental protection and the Home Appliance Subsidy Program in rural areas of the PRC. The market for electric bikes has grown from 22.5 million units in 2005 to 81.4 million units in 2009, representing a compound annual growth rate ("CAGR") of 38.0%, and it is expected to grow further to over 100 million units in 2011, representing a CAGR of 11.3% from 2009 to 2011. The electric bike population is expected to continue rapid growth in the future.

Each electric bike is usually equipped with 3-4 units of batteries. The lead-acid motive battery is currently the most commercially viable and technologically mature rechargeable battery product, which offers the best cost-effectiveness and reliability. Lead-acid motive batteries accounted for more than 90% of the market share for electric bikes in 2009 and it is expected to remain dominant in the PRC market in the near future.

According to Frost & Sullivan, the total revenue of electric bike batteries in China is expected to grow to US$2,881.9 million in 2011, representing a CAGR of 24.1% from 2009 to 2011. The market of motive batteries for electric bikes is generally divided into the primary market, which refers to the batteries that are bundled with the sales of new electric bikes, and the secondary market, which refers to the replacement market. Both markets are expected to register continued growth in the next 5 years, although the secondary market will likely enjoy better growth prospects than the primary market due to overall accumulative electric bike population growth.

Frost & Sullivan also points out that the lead-acid motive battery manufacturing industry is relatively fragmented with the six largest manufacturers accounting for approximately 56.2% of the total market share in 2009 with only two (of which the Group is one of them) of those accounting for individual market shares higher than 10%. With the increasing demand for high-standard batteries and the continued emphasis on environmental protection in manufacturing process, established market leaders will have a better opportunity for business development.

Business Review

According to Frost & Sullivan, for the year ended 31 December 2009, the Group had the largest market share by revenue in China's electric bike motive battery market, both overall and within the lead-acid motive battery segment, with market shares of approximately 17.1% and 18.3%, respectively. The principal product of the Group is motive battery for electric bikes, which is available in 12 different models catering to different types of electric bikes, with lead-acid batteries accounting for 98.2% of its total revenue. The Group has developed a nationwide sales and distribution network covering the primary and secondary markets, complemented by the provision of comprehensive after-sales services such as the recycling, repair and maintenance of batteries and the supply of spare parts for electric bikes.

Demand in the secondary market is expected to grow in tandem with the increasing demand for electric bikes and given the fact that each battery has a life cycle of approximately 1.5 years. In view of the above, the Group has made major efforts in recent years in developing its distribution network. During the Period, the Group's sales ratio between the secondary market and the primary market was approximately 6:4. The Group's products are sold through 430 independent distributors as at 30 June 2010, one of the largest distribution networks for electric bike motive batteries in the PRC, covering all provinces, municipalities and autonomous regions of the nation.

The Group's world-class production facilities are capable of delivering a diverse range of environmentally-friendly battery products in large scale and premium quality. Our production plants are strategically located in Anhui, Jiangsu, Henan, Shandong and Zhejiang provinces in the vicinity of the major markets and electric bike manufacturers. To meet expanding market demand in the near future, trial production has commenced at a number of our new production facilities during the Period including (i) the new production facility in Zhejiang province, which commenced its first phrase of trial operation in February 2010, with the second phrase being scheduled for March 2011; (ii) the new production facility in Henan province which commenced its trial run in March 2010; and (iii) the new production facility in Anhui province which commenced its trial run in June 2010.

The Group has continued to adopt advanced, environmentally-friendly production technologies and methods during the Period in order to assure the quality of our products and to reduce the impact of our operations on the environment. At present, the Group is one of the few manufacturers who are capable of adopting the enclosed battery formation process in commercial production, which is a more environmentally-friendly and resource-efficient process that allows for substantial reduction of water usage and discharge of sulphuric acid fumes and waste water. We have obtained ISO9001 certifications for our quality management systems and ISO14001 certifications in recognition of environmental compliance standards at all of our production plants.

Financial Review

Revenue

During the Period, the Group's revenue amounted to RMB1,443,694,000, representing an increase of 28.6% compared to RMB1,122,224,000 for the same period in 2009. The increase was primarily attributable to the growth of sales volume of lead-acid motive batteries and an increase in the average selling price per battery. The Group sold approximately 15.2 million units of batteries during the Period (For the six months ended 30 June 2009: approximately 12.1 million units of batteries).

Gross profit

The Group's gross profit amounted to RMB384,119,000, representing an increase of 10.8% compared to RMB346,724,000 for the same period in 2009, primarily as a result of increased sales volume of lead-acid motive batteries. During the Period, gross profit margin decreased from 30.9% to 26.6% primarily because of an increase in the average cost of sales per battery as a result of the increase in lead price as compared to the same period in 2009.

Other income

The Group's other income for the Period amounted to RMB24,873,000, representing an increase of about 228.1% compared to RMB7,580,000 for the same period in 2009. The increase was mainly due to Government grants during the Period.

Distribution and selling expenses

During the Period, the Group's distribution and selling expenses amounted to RMB152,251,000, representing a decrease of approximately 4.7% compared to RMB159,704,000 for the same period in 2009. The decrease was primarily due to the net effect of the decrease in advertising expenses and marketing expenses as the Group no longer provided marketing fees to distributors from 2010 onwards and an increase in provision relating to product warranty.

Administrative expenses

The Group's administrative expenses were RMB50,756,000, representing an increase of 45.8% compared to RMB34,821,000 for the same period in 2009. The increase was mainly attributable to an increase in staff costs. The increase in administrative expenses was in line with the Group's business expansion.

Research and development expenses

Research and development expenses amounted to RMB21,198,000, representing a substantial increase of 214.3% compared to RMB6,744,000 for the same period in 2009. The increase was primarily due to the increase in the cost of research materials as a result of an increased number of research projects.

Finance costs

The Group's finance cost increased by 58.0% from RMB6,017,000 for six months ended 30 June 2009 to RMB9,507,000 for the same period in 2010. The increase was primarily due to an increase in interest expenses on our bank borrowings as a result of the increase in our average bank borrowings, partially offset by a decrease in interest expenses on finance leases.

Profit before taxation

For the above reasons, our profit before tax increased by 8.1% to RMB156,840,000 (For the six months ended 30 June 2009: RMB145,049,000).

Taxation

The Group's income tax expenses for the Period decreased 17.9% to RMB26,894,000 (For the six months ended 30 June 2009: RMB32,765,000). The decrease was primarily because more profit were recorded by Chaowei Power and Anhui Chaowei, the two most profitable subsidiaries, for the six months ended 30 June 2010, the tax rates for Chaowei Power and Anhui Power were only 12.5% and 15.0%, respectively. The effective tax rate was 17.1%, an decrease of 5.5% from the same period in last year.

Profit attributable to owners of the Company and dividend

For the six months ended 30 June 2010, profit attributable to owners of the Company amounted to RMB119,413,000, representing an increase of 22.9%, compared to RMB97,187,000 for the same period in 2009.

The Board does not recommend the payment of an interim dividend for the Period.

Liquidity and financial resources

As at 30 June 2010, the Group had net current assets of RMB540,267,000 (31 December 2009: RMB404,340,000) of which cash and bank deposits were RMB198,102,000 (31 December 2009: RMB150,842,000).

Total borrowings, including discounted bills, were RMB432,369,000 (31 December 2009: RMB211,000,000). The borrowings were mainly used to finance the purchases and operation of the Group. They were denominated in RMB, of which RMB30,000,000 bore interests at fixed rates and RMB136,369,000 were repayable within one year. The Group adopts centralised financing and treasury policies in order to ensure the Group funding is utilised efficiently.

As at 30 June 2010, the Group's current ratio was 1.77 (31 December 2009: 1.79) and gearing ratio (total borrowings/total assets) was 0.23 (31 December 2009: 0.15). The Group had sufficient cash and available banking facilities to meet its commitments and working capital requirements. This strong cash position has enabled the Group to explore investment and business development opportunities to expand its market share in China.

Exchange rate fluctuation risk

As the Group's operations are mainly conducted in China and the majority of the sales and purchases are transacted in Renminbi, the directors of the Company are of the view that the Group's operating cash flow and liquidity is not subject to significant foreign exchange rate risks.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2010 (31 December 2009: nil).

Pledged assets

At the end of the reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
Buildings	**42,162**	45,692
Land use rights	**50,465**	33,229
Bills receivable	**61,369**	–
Restricted bank deposits	**200**	7,861

Capital commitments

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
Contracted but not provided for		
– acquisition of property, plant and equipment	**77,318**	15,325

Human resources and employees' remuneration

As at 30 June 2010, the Group employed a total of about 9,420 staff in the PRC and Hong Kong, of which a total of 7,005 employees were engaged through several employment agencies. During the Period, the total cost of employees amounted to approximately RMB106,746,000. The Group sought to further strengthen staff training by offering focused training programs and study tours to management and professional technical personnel, and disseminating the latest government policy information on the lead-acid motive battery industry to all staff within the Period. The Group continued to strive for the enhancement of professional standards and overall qualities of our staff. The Group also provided competitive salary packages to our staff, encouraging them to be fully dedicated in their work and to leverage their capabilities in serving our customers.

Future Development Strategies

To capture the enormous business opportunities in the market for environmentally-friendly motive batteries, the Group will increase our production capacity and enhance research and development in order to improve the quality of our existing products and develop advanced new products. Meanwhile, the Group will pursue vertical as well as horizontal expansion of our distribution network by seeking business partnerships with suppliers and actively identifying opportunities for strategic acquisitions.

Expand our production capacity to increase our market share

As a leading electric bike motive battery manufacturer in China based on our market share by revenue in 2009, the Group are well positioned to benefit from the future growth of China's electric bike battery market, and will therefore continue to focus investing our resources to expand our production scale in order to enhance our leadership position further and increase our market share in this fast growing market. The Group intends to increase our production capacity through improvement and upgrading of our existing production facilities and the construction of new production facilities. A number of our production facilities have commenced trial production, and our designed capacity is expected to rise to approximately 41,200,000 units and 53,700,000 units in 2010 and 2011, respectively.

Participate in the market consolidation by pursuing strategic acquisitions

Capitalising on opportunities arising in the fragmented market for electric bike battery in China, the Group intends to participate in the consolidation of such market by pursuing, on an opportunistic basis, the strategic acquisitions of motive battery manufacturers which can provide synergy with our operations, with a view to increase our market share and our production capacity. In this connection, we have entered into letters of intent with two lead-acid motive battery manufacturers based in Changxing County, Zhejiang Province for the establishment of joint ventures in Changxing engaged in the production of lead-acid motive batteries. Subject to further negotiation, we expect to enter into formal joint venture agreements with these manufacturers in due course upon completion of due diligence to our satisfaction.

Enhance research and development capabilities to improve product quality and develop new battery products for markets with high growth potential

The Group will continue to manufacture energy-efficient and environmental friendly motive batteries for electric bikes as our main stream battery products. In addition, the Group has also commenced, on a small scale, the production and supply of prototype lead-acid motive batteries for electric cars to various PRC automobile manufacturers, including Geely and Jianghuai. The Group also intends to develop battery products for different types of electric transportation device in order to capture emerging business opportunities, including the development of Li-ion batteries as an alternative battery product for lead-acid batteries.

Given the trend towards a clean energy environment, the Board expect to see business opportunities for storage batteries for solar and wind energy. The Group has started producing and supplying storage batteries for solar energy and intended to expand our research and development efforts into this area. The market is now looking forward to the Central

Government's announcement from of its "Development Plan for Energy-saving and New-Energy Automobiles", which is expected to include government investments of over RMB100 billion in the next decade to assist the development of the industry chain for energy-saving and new-energy automobiles. The Group will continue to commit resources to product research and development with a view to improving product quality and launching new products on a continued basis. Meanwhile, we will assure our leadership in the market by enhancing our overall strengths in research and development with the recruitment of senior research and technical staff and investment in advanced facilities.

Enhance our distribution network coverage and brand-building

The Group will continue to expand its existing distribution network in the secondary market in order to capture the enormous growth potential in this market. The Group intends to enhance the reach of our existing distribution network by increasing market coverage and attracting and retaining quality distributors and strengthening our cooperation with our existing distributors. In addition, in order to enhance the brand recognition of the "Chilwee 超威" brand further as well as to reinforce and expand our distribution network, the Group intends to continue launching "one-stop" service centres in our secondary market across china, working in cooperation with our distributors and sub-distributors. The Board believe that such a focused branding strategy will enable our products to be readily distinguishable and lay the foundation for our Group to expand our presence in the secondary market.

Pursue strategic cooperation with suppliers of lead

Lead is our primary raw materials and our ability to source quality-grade lead at competitive prices in a timely manner is crucial to our production. Currently, we seek to minimise any adverse effect which may arise from any significant fluctuations in the supply, quality and price of lead primarily through inventory control. We intend to pursue strategic cooperation with lead suppliers in order to secure a stable supply of lead, reduce our cost of raw materials and enhance our competitiveness.

Guided by well-defined strategic objectives, the Group will look to consolidate its leadership in the motive battery industry of the PRC and become a world-class motive battery manufacturer, striving to the best of its ability to help reduce carbon emissions.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Taking into account the initial public offer on 7 July 2010 and the partial exercise of the over-allotment option on 29 July 2010, the net proceeds of the Company's global offering amounted to approximately HK$485.6 million (unaudited). As disclosed in the Company's prospectus dated 24 June 2010, the Group intends to apply such net proceeds in the following purposes: approximately 55% for the expansion of our production capabilities; approximately 20% for the acquisition(s) of other motive battery manufacturers; approximately 10% for the enhancement of our research and development activities, mainly on electric car motive batteries, wind and solar energy batteries and Li-ion motive batteries; approximately 5% for the promotion and strengthening of our "Chilwee 超威" brand and approximately 10% for the Group's general working capital. As at the date of this report, the Group does not anticipate any material changes to the plan of use of the proceeds from the global offering.

To the extent that the net proceeds are not immediately applied for the above purposes and to the extent permitted by the relevant laws and regulations, the Group intends to deposit the net proceeds into short-term deposits with licensed banks or financial institutions in Hong Kong or the PRC.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance in the interests of shareholders. Throughout the Period, the Company followed the principles and complied with all applicable code provisions under the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") save as disclosed below.

Code Provision A.2.1 requires the roles of chairman and chief executive officer to be separate. Mr. Zhou is currently both the chairman of the Board and chief executive officer of the Company. The Board considers that the current arrangement facilitates the execution of the Group's business strategies and maximizes efficiency of its operation and is therefore beneficial to the Company and its shareholders as a whole.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions of the directors, senior management and relevant employees (who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information) of the Company on terms no less exacting than the required standard of dealings specified in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all of them have confirmed that they have complied with the required standard set out in the Model Code and the Company's own code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2010.

AUDIT COMMITTEE

The Company has established an audit committee. The primary duties include the review and supervision of the Group's financial reporting process and internal control measures. The audit committee comprises all three independent non-executive directors of the Company, namely Mr. Lee Conway Kong Wai ("Mr. Lee"), Mr. Wang Jiqiang and Prof. Ouyang Minggao. Mr. Lee is the chairman of the audit committee of the Company. Mr. Lee has professional qualification and experience in financial matters.

The audit committee of the Company has met and discussed with the external auditors of the Company, Deloitte Touche Tohmatsu, and has reviewed the accounting principles and practices adopted by the Group and the audited results of the Group for the six months ended 30 June 2010. The audit committee has adopted the terms of reference which are in line with Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee considered that the consolidated results of the Group for the six months ended 30 June 2010 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period.

GENERAL INFORMATION

The Group's consolidated financial statements for the six months ended 30 June 2010 have been audited by the Company's auditors, Deloitte Touche Tohmatsu, in accordance with International Standards on Auditing. The consolidated statement of comprehensive income for the six months ended 30 June 2009 and the related notes disclosed in the consolidated financial statements are derived from the Group's management accounts, which have not been audited.

PUBLICATION OF INTERIM REPORT

The full text of the Company's 2010 interim report will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chaowei.com.hk), respectively in due course.

APPRECIATION

The board would like to take this opportunity to express gratitude to our shareholders and the public for their continued support and to all staff for their hard work and commitment.

By order of the Board
Chaowei Power Holdings Limited
Zhou Mingming
Chairman

Hong Kong, 26 August 2010

As at the date of this announcement, the executive Directors are Mr. ZHOU Mingming, Mr. ZHOU Longrui, and Ms. YANG Yunfei, the non-executive Director is Ms. DENG Xihong, the independent non-executive Directors are Mr. WANG Jiqiang, Prof. OUYANG Minggao and Mr. LEE Conway Kong Wai.