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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

- Shares of Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 7 July 2010.
- Revenue was approximately RMB3,224.8 million, representing an increase of approximately 32.5% over last year.
- Gross profit was approximately RMB847.7 million, representing an increase of approximately 20.4% over last year.
- Profit attributable to the owners of the Company was approximately RMB268.2 million, representing an increase of approximately 32.8% over last year.
- Basic earnings per share amounted to RMB0.31, representing an increase of 14.8% approximately over last year.
- The Board proposed a final dividend of RMB0.080 per share for the year ended 31 December 2010, which will be subject to shareholders' approval at the AGM. This represented a total distribution for the year of RMB80,423,200.

ANNUAL RESULTS

The Board of directors (the "Board") of Chaowei Power Holdings Limited (the "Company") is pleased to announce the financial results and financial position of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010 together with the comparative figures for the corresponding period of 2009. These 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 year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Revenue	3	**3,224,750**	2,433,889
Cost of sales		**(2,377,049)**	(1,729,886)
Gross profit		**847,701**	704,003
Other income		**53,605**	13,721
Distribution and selling expenses		**(309,285)**	(321,906)
Administrative expenses		**(116,826)**	(83,652)
Research and development expenses		**(51,407)**	(15,754)
Other expenses		**(33,088)**	(4,177)
Finance costs	4	**(20,782)**	(9,582)
Gain on disposal of a subsidiary		**–**	3,202
Share of profit of an associate		**–**	(2,151)
Profit before tax	5	**369,918**	283,704
Income tax expenses	6	**(66,787)**	(57,657)
Profit and total comprehensive income for the year		**303,131**	226,047
Profit and total comprehensive income attributable to:			
Owners of the Company		**268,195**	201,912
Non-controlling interests		**34,936**	24,135
		303,131	226,047
Earnings per share			
– Basic (RMB)	7	**0.31**	0.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**613,671**	364,418
Prepaid lease payments-non-current portion		**67,338**	64,899
Investment property		**9,157**	9,904
Deferred tax assets		**42,097**	22,478
Deposits paid for acquisition of property, plant and equipment		**20,451**	21,727
Goodwill		**14,956**	14,956
		767,670	498,382
CURRENT ASSETS			
Inventories		**626,538**	470,734
Trade receivables	*9*	**61,949**	19,368
Bills receivable	*10*	**593,238**	176,330
Prepayments and other receivables		**157,598**	84,550
Amounts due from related parties		**264**	4,449
Prepaid lease payments-current portion		**1,478**	1,451
Restricted bank deposits		**200**	7,861
Bank balances and cash		**477,776**	150,842
		1,919,041	915,585
CURRENT LIABILITIES			
Trade payables	*11*	**353,555**	220,159
Bills payable	*12*	**–**	7,070
Other payables		**269,805**	140,039
Amounts due to related parties		**–**	2,071
Income tax payable		**33,665**	29,017
Dividend payable		**32,500**	–
Provision		**79,946**	57,539
Bank borrowings-due within one year		**167,752**	55,000
		937,223	510,895
NET CURRENT ASSETS		**981,818**	404,690
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,749,488**	903,072

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
At 31 December 2010

	Notes	**2010** *RMB'000*	2009 *RMB'000*
CAPITAL AND RESERVES			
Paid-in capital/Share capital		**68,140**	210,000
Reserves		**1,305,290**	470,190
Equity attributable to owners of the Company		**1,373,430**	680,190
Non-controlling interests		**82,491**	47,555
TOTAL EQUITY		**1,455,921**	727,745
NON-CURRENT LIABILITIES			
Deferred income		**16,829**	17,179
Deferred tax liabilities		**738**	2,148
Bank borrowings – due after one year		**276,000**	156,000
		293,567	175,327
		1,749,488	903,072

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 ("IFRSs")

In the current year, 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 are or have become effective.

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC 17	Distributions of Non-cash Assets to Owners

The adoption of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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 year.

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 (the "PRC GAAP"), 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 year 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 year.

An analysis of revenue by products is as follows:

	2010	2009
	RMB'000	*RMB'000*
Lead-acid motive batteries for electric bikes	**3,164,182**	2,335,835
Lead-acid motive batteries for electric cars and storage batteries	**14,829**	5,752
Materials include lead and active additives	**45,739**	92,302
	3,224,750	2,433,889

4. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings wholly repayable within five years	**20,782**	7,615
Other borrowings wholly repayable within five years	**–**	141
Finance leases	**–**	1,826
	20,782	9,582

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2010	2009
	RMB'000	*RMB'000*
Wages and salaries	**111,504**	159,882
Retirement benefits scheme contributions	**4,296**	5,031
Labour cost *(Note)*	**71,890**	–
Total staff costs	**187,690**	164,913
Cost of inventories recognised as expense	**2,377,049**	1,729,886
Allowance for trade receivables	**714**	2,466
Allowance for (reversal of allowance for) other receivables	**687**	(1,053)
Allowance for inventories	**2,958**	1,754
Amortisation of prepaid lease payments	**1,248**	988
Auditors' remuneration	**1,937**	544
Depreciation of property, plant and equipment	**40,190**	28,534

Note: During the current year, 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

	2010	2009
	RMB'000	*RMB'000*
The charge comprises:		
PRC current income tax	**87,816**	62,026
Deferred tax	**(21,029)**	(4,369)
	66,787	57,657

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and the 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. 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.") ("Zhejiang 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. Zhejiang Chaowei Power commenced its first profit-making year in 2006 and accordingly, the applicable income tax rate for the year was 12.5% (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.

江蘇超威電源有限公司 (Jiangsu Chaowei Power Co., Ltd.) ("Jiangsu Chaowei") was recognised as New and High Technical Enterprises on 13 June 2010 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 2010 to 2012.

Other subsidiaries established in the PRC were subject to income tax rate of 25% for the year ended 31 December 2010 (2009: 25%). The Company and its subsidiaries incorporated in British Virgin Islands ("BVI") 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:

	2010	2009
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company	**268,195**	201,912

	2010	2009
	'000	*'000*
Weighted average number of shares	**874,179**	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 have been adjusted retrospectively.

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

8. DIVIDEND

On 5 March 2010, Zhejiang 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 dividend payable by the end of 31 December 2010 amounting to RMB32,500,000 was paid on 12 January 2011.

A final dividend of RMB8.0 cents per share in respect of the year ended 31 December 2010, based on 1,005,290,000 shares as at 31 December 2010, has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company ("AGM").

9. TRADE RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**65,490**	23,222
Less: allowance for doubtful debts	**(3,541)**	(3,854)
	61,949	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:

	2010	2009
	RMB'000	*RMB'000*
0 – 15 days	**52,606**	14,643
16 – 90 days	**6,770**	2,697
91 – 180 days	**2,026**	1,478
181 – 365 days	**547**	550
	61,949	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:

	2010	2009
	RMB'000	*RMB'000*
16 – 90 days	**6,770**	2,697
91 – 180 days	**2,026**	1,478
181 – 365 days	**547**	550
	9,343	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 year:

	2010	2009
	RMB'000	*RMB'000*
At beginning of the year	**3,854**	1,388
Provided for the year	**714**	2,466
Write-off for the year	**(1,027)**	–
At end of the year	**3,541**	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 of the Company believe that no further allowance is required.

10. BILLS RECEIVABLE

	2010	2009
	RMB'000	*RMB'000*
Bills receivable	**593,238**	176,330

The Group has discounted bills receivable of approximately RMB72,752,000 at 31 December 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 RMB242,029,000 at 31 December 2010 (31 December 2009: RMB101,342,000) were endorsed with recourse to third party suppliers for purchase of raw material and corresponding trade payables of RMB242,029,000 at 31 December 2010 (31 December 2009: RMB101,342,000) were included in the consolidated statement of financial position accordingly.

Bills receivable of approximately RMB15,077,000 at 31 December 2010 (31 December 2009: Nill) were endorsed with recourse to third party suppliers for purchase of machinery.

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

	2010	2009
	RMB'000	*RMB'000*
0 – 90 days	**339,900**	10,362
91 – 180 days	**253,338**	165,968
	593,238	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.

Included in the balance of trade payables as at December 31, 2010, amount of RMB242,029,000 (2009: RMB101,342,000) aged within 180 days has been settled by endorsed bills receivables but not matured at the end of the reporting year.

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

	2010	2009
	RMB'000	*RMB'000*
0 – 30 days	**67,790**	72,047
31 – 90 days	**170,979**	68,010
91 – 180 days	**105,358**	66,503
180 – 365 days	**6,669**	9,142
1 – 2 years	**2,113**	2,717
Over 2 years	**646**	1,740
	353,555	220,159

12. **BILLS PAYABLE**

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

	2010	2009
	RMB'000	*RMB'000*
0 – 90 days	–	6,070
91 – 180 days	–	1,000
	–	7,070

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Chaowei Power Holdings Limited ("Chaowei Power" or the "Company", and together with its subsidiaries, the "Group"), I am pleased to present to the shareholders the first annual results of the Group after its initial public offering on The Stock Exchange of Hong Kong Limited in July 2010.

Faced with the deteriorating global warming situation, various governments and international organisations are more committed to the development of energy-saving and environmentally-friendly industry. The Chinese Government has actively launched a number of policies supporting the relevant industries in order to fulfil its target of reducing the country's carbon emissions in 2020 to a level 40-50% below that in 2005. Environmentally-friendly motor bikes have emerged as the principal mode of transportation in second- and third-tier cities in China in view of burgeoning urbanisation and stronger awareness of the need for environmental protection. According to Frost & Sullivan, as at 31 December 2009, there were more than 81 million electric bikes in China. With the inclusion of electric bikes in the Rural Home Appliances List by the Ministries of Finance and Commerce in a number of provinces including Shandong, Jiangsu and Hebei in March 2010, we believe the rapid increase in the number of electric bikes will drive the growth in demand for lead-acid motive batteries.

In response to market developments, Chaowei Power has endeavoured to boost its production technology and upgrade its production capacity, thereby steadily strengthening its competitive advantage. During the year under review, the new production facilities in Anhui Province has commenced trial production and the new production facilities in Henan and Zhejiang Provinces were operational. In line with the Group's strategy to expand production capacity, construction of the new production facilities in Shandong Province has commenced in 2010 with completion expected in the second half of 2011.

Driven by factors such as steady increase in market demand and gradual expansion in its scale of operations, the Group recorded robust growth in product sales and attained new record in profit as demonstrated in its strong results: revenue at RMB3,224.8 million, a significant increase of 32.5% over 2009; gross profit and profit attributable to the owners of the Company increased by 20.4% and 32.8% to RMB847.7 million and RMB268.2 million respectively; gross margins maintained at a healthy level of 26.3%; and basic earnings per share increased by 14.8% to RMB0.31.

With Chaowei Power's successful listing on the Main Board of the Stock Exchange of Hong Kong Limited on 7 July 2010, the Company has gained access to international capital markets, which has not only reinforced our corporate governance structure, enhanced our corporate and brand image, but has also further strengthen our leading position within the industry. The funds raised are beneficial to the Group in accelerating the upgrading of our production capacity and technical standards, thereby creating sound foundation for the Group to respond to all challenges and providing a powerful boost for our long-term development.

With the supportive government policies and the low penetration rate of electric bikes in rural areas, it is generally believed that the growth trend of electric bikes in the PRC would be sustainable. As lead-acid batteries are the main source of power for electric bikes in the PRC, industry forecasts estimate that the revenue of lead-acid motive batteries for electric bikes in the PRC will grow steadily at a compounded annual growth rate amounting to 24.1% between 2009 and 2011. Looking ahead, our management team have complete confidence in the prospects of the lead-acid motive battery market. The Group intends to continue our vigourous efforts in enhancing production capacity and technical standards, strengthening operating efficiency, providing customers with a satisfying product quality and maintaining our competitive advantages.

One of the key points of the "Twelfth Five-Year Plan" of the Chinese government is the reduction of carbon emission. We believe that it will serve as an impetus to boost the popularity of electric vehicles as over 30% of China's 7 billions-plus tonnes of carbon emissions came from cars. The Group plans to ride on this environmentally-friendly bandwagon by actively strengthening our research and development and expanding the scope of our business, seeking opportunities for potential development in the forthcoming greener era.

Last but not least, on behalf of the Board, I would like to thank our staff for their dedicated service and contributions and extend my heartfelt gratitude to our shareholders and business partners for their continued support and trust. The Group intends to continue our concerted effort in monitoring the pulse of the market in order to capitalise on the enormous opportunities of the lead-acid motive battery market and advance our business development to new heights while bringing long-term lucrative returns to our shareholders.

Zhou Mingming
Chairman

PRC, 28 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Established in 1998, Chaowei Power has become one of the leaders of the lead-acid motive battery market in the PRC after years of development, with its status recognised by the industry. In 2010, the Group heralded a new milestone by successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited with strong support from investors. The listing has not only fortified our capital strength, but also enhanced our corporate governance standards and strengthen our industry-leading advantage. All of these developments have placed the Group in a better position to being China's and even the world's leading motive battery manufacturer while devoting our best efforts to reducing carbon emissions on the roads.

Market Overview

During the Climate Summit held in Copenhagen, Denmark in December 2009, various governments and international organisations expressed concerns on the global warming issue. China's proposal of its target to reduce carbon emissions volume in 2020 by 40-50% below its 2005 level at the summit provides an opportunity for the development of the environmental-friendly energy industry. As one of the countries with the fastest growing green industries, China has proactively launched a number of policies supporting energy saving and development of environmental-friendly industries. These policies together with the focus of reducing pollution and carbon dioxide emissions proposed by the "Twelfth Five Year Plan", provided a springboard for the development of the environmental-friendly electric bike manufacturing industry. In addition, with the buoyant development of the PRC economy in recent years, the electric bike, which are inexpensive and convenient, have become one of the principal modes of transportation of residents in second- and third-tier cities, where income per capita rose significantly and the transportation network is not fully developed. On 23 March 2010, the Ministries of Finance, Commerce, and Industry and Information announced that electric bikes have been included in the Rural Area Home Appliance Subsidy Programme of ten provinces in China, including Shandong, Henan and Hubei, where every family is entitled to a maximum subsidy of RMB260 for each motor bike purchased. This may significantly increase the future demand for electric bikes.

According to Frost & Sullivan, the cumulative market size of electric bikes in the PRC in 2009 was 81.4 million and is expected to further increase to 114.0 million in 2011. Sales revenue of electric bike batteries is forecasted to reach US$2.88 billion in 2011 with a compounded annual growth rate of 24.1% from 2009 to 2011. At present, there are three types of motive batteries for electric bikes, namely, lead-acid, nickel-ion and lithium batteries. The lead-acid motive battery is currently the most technologically mature and reliable. Sealed lead-acid motive batteries have dominated the electric bike market with a market share of more than 90% and are expected to remain dominant in the PRC market in the near future.

Favourable government policies and relative low penetration rate of electric bikes in rural areas have provided good growth potential for the industry. With increasing market focus on more environmental friendly production process and strong customer demand for good quality batteries, market players with large scale production have high growth potential.

Business Review

Driven by factors such as rising market demand and gradual expansion in scale of operations, the Group recorded robust growth in product sales and attained new heights in overall profitability with excellent results in terms of revenue, gross profit and net profit.

As the principal product of the Group, motive batteries for electric bikes are available in 16 different models to cater for different types of electric bikes, with lead-acid batteries accounting for more than 98% of our total revenue during the year under review. The Group's nationwide sales and distribution network, spanning primary and secondary markets, provides premier after-sales services encompassing recycling, repairs and maintenance services of batteries and spare parts supplies for electric bikes. Our primary market sales are mainly to electric bike manufacturers, such as Yadea, Byvin and Lima, which are market leaders, and our secondary market are to our dedicated distributors focused on replacement sales. To satisfy the diversified demands of customers, the Group deploys its extensive distribution network to provide enhanced as well as value-added after-sales services, such as battery repairs and spare parts of electric bikes, in establishing and enhancing its brand profile. As at 31 December 2010, the Group had more than 456 distributors throughout the country. In view of the expectation that the demand for electric bikes will continue to rise, we have been strengthening our efforts in distribution network development during the year under review, creating a sales ratio of 6:4 between secondary and primary markets.

The Group's world-class production facilities are capable of delivering a diverse range of products on a large scale and with premium quality. Our production plants are strategically located among clusters of customers in Anhui, Jiangsu, Henan, Shandong and Zhejiang Provinces, to provide efficient service to major markets. During the year under review, commercial production has commenced in the new facilities in Henan and Zhejiang provinces. The Group's annual production capacity of batteries for electric bikes now stands at 33.1 million units, with a healthy average utilisation rate in excess of 85%. Looking ahead to the future, vibrant demands for electric bikes, our plant expansion strategy continues as the Board has approved the investment of a RMB230 million new production facility in Shandong Province in October 2010, with construction commencing in 2010 and completion expected in the second half of 2011.

The Group has continued to adopt cutting-edge production technology and environmentally-friendly production methods in 2010 in order to maintain our product quality and to minimise the impact of battery production on the environment. We have obtained ISO9001 certification for quality monitoring systems and ISO14001 certification for environmental protection management standards at all of our production plants. In recent years, the Chinese Government has tightened environmental protection policy restrictions within the industry. It is generally believed that due to the stricter entry barriers to the industry, sub-standard production capacity will be gradually phased out. At present, the Group is one of the few manufacturers that are capable of adopting the enclosed battery formation process in commercial production, which is a more environmentally-friendly and resource-efficient process that substantially reduces water usage and discharges of sulphuric acid fumes and waste water. Therefore, we believe that industry consolidation will be conducive to the overall business development of the Group.

Shandong Chaowei

There were press articles published in the mainland China since 19 November 2010 alleging that, among others, the blood and urine lead level of certain residents of Wujialin village (吳家林村), Ningyang county (寧陽縣), Shandong province, where Shandong Chaowei Power Co., Ltd.* (山東超威電源有限公司) ("Shandong Chaowei"), a wholly-owned subsidiary of the Company, is located, has exceeded normal standard, and that the incident was caused by the operations of Shandong Chaowei ("Alleged Incident").

Established on 11 October 2005, Shandong Chaowei has successfully been applying for and renewing all relevant permits and certificates regularly. According to a report dated 15 November 2010 issued by the Shandong Provincial Analysis and Test Centre (山東省分析測試中心), an independent local laboratory, the exhaust fumes and waste water discharged by Shandong Chaowei had complied with the Integrated Emission Standard of Air Pollutants (大氣污染物綜合排放標準) (GB16297-1996) and the Integrated Wastewater Discharge Standard (污水綜合排放標準) (GB8978-1996), respectively.

Although it had not been able to verify the accuracy of the contents of the related recent press articles, Chaowei Power, as a responsible enterprise, has swiftly responded to the alleged incident. On the day after the publication of news article, Professor Wang Jia De (王家德教授), an external consultant with extensive knowledge and experience in environmental protection and occupational health and safety engaged by the Company and certain members of the standing environmental monitoring team of the Company conducted an on site inspection at production premises of Shandong Chaowei to assure that there was no material environmental issue. The management also demanded production facilities elsewhere to conduct testing immediately and to ensure compliance with relevant environmental protection standards. In addition, in order to facilitate the follow up work of the relevant government authorities, on 29 December 2010, we have decided to suspend the operations of Shandong Chaowei until the Alleged Incident is properly resolved. As of the date of this announcement, production of Shandong Chaowei has not yet resumed.

"Foster green energy and perfect human livelihood" is the motto and a mission of the Group. As part of its normal business operations, the Group regularly performs routine environmental inspections by a team comprising approximately 40 staff. The team is responsible for monitoring compliance with various environmental and occupational health and safety requirements under the PRC laws and regulations on a regular basis and providing timely reports and advice to the management of the Company.

Financial Review

Revenue

During the year under review, the Group's revenue amounted to RMB3,224,750,000, rising by 32.5% over RMB2,433,889,000 for 2009, which was primarily attributable to the buoyant growth in industry demand and the growth in sales volume of lead-acid motive batteries. The Group sold approximately 33.3 million units of batteries during 2010 (2009: 26.1 million units).

Gross profit

The Group's gross profit amounted to RMB847,701,000, an increase of 20.4% over RMB704,003,000 for 2009, which was primarily attributed to a higher sales volume of lead-acid motive batteries. By raising the average selling prices of its products, the Group was successful in shifting part of the pressure from the hike in lead prices per tonne, from RMB14,000 in 2009 to RMB16,000 in 2010, to our customers, thereby maintaining our gross margin at the level of 26.3%.

Other income

The Group's other income for the year amounted to RMB53,605,000, an increase of 290.7% year-on-year, which was mainly due to Government grants of RMB46,131,000 during the year.

Distribution and selling expenses

The Group's distribution and selling expenses for 2010 amounted to RMB309,285,000, a decrease of approximately 3.9% over RMB321,906,000 for 2009, which was primarily attributed to the decrease in advertising expense and transportation cost. For 2010, the distribution and selling expenses as a percentage of revenue were 9.6% (2009: 13.2%).

Administrative expenses

The Group's administrative expenses were RMB116,826,000, a rise of 39.7% over RMB83,652,000 for 2009, which was primarily attributed to increases in staff expenses. The increase in administrative expenses was in line with the Group's business expansion.

Research and development expenses

Research and development expenses amounted to RMB51,407,000, a substantial increase of 226.3% over RMB15,754,000 for 2009, which was primarily attributed to the increases in the cost of research materials and staff as a result of a greater number of research projects, including research and development in new products.

Finance costs

The Group's finance costs rose by 116.9% from RMB9,582,000 for 2009 to RMB20,782,000 for 2010, which was primarily attributed 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 taxation climbed by 30.4% to RMB369,918,000 (2009: RMB283,704,000).

Taxation

The Group's income tax expenses for the year increased by 15.8% to RMB66,787,000 (2009: RMB57,657,000). The relatively low increase in taxation was mainly due to more profit were contributed by Chaowei Power Co. Ltd and Anhui Chaowei Power Co. Ltd, the two most profitable subsidiaries in the Group, whose tax rates were only 12.5% and 15.0%, respectively in 2010. The effective tax rate was 18.1%, a decrease of 2.2% over last year.

Profit attributable to owners of the Company

In 2010, profit attributable to owners of the Company amounted to RMB268,195,000, a rise of 32.8% over RMB201,912,000 for 2009.

Liquidity and financial resources

As at 31 December 2010, the Group had net current assets of RMB981,818,000 (31 December 2009: RMB404,690,000) of which cash and bank deposits were RMB477,776,000 (31 December 2009: RMB150,842,000). Total borrowings, including discounted bills, were RMB443,752,000 (31 December 2009: RMB211,000,000), which were mainly used to finance the purchases and operation of the Group. They were denominated in RMB, of which RMB102,752,000 bore interest at fixed rates and RMB167,752,000 were repayable within one year. The Group adopts centralised financing and treasury policies in order to ensure the Group's funding is utilised efficiently and monitors its interest rate risk in a conservative manner.

As at 31 December 2010, the Group's current ratio (current assets/current liabilities) was 2.05 (31 December 2009: 1.79) and gearing ratio (total borrowings/total assets) was 17% (31 December 2009: 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 31 December 2010 (31 December 2009: nil).

Pledge of 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:

	2010	2009
	RMB'000	*RMB'000*
Buildings	**36,270**	45,692
Land use rights	**53,053**	33,229
Inventories	**33,600**	–
Bills receivable	**72,752**	–
Restricted bank deposits	**200**	7,861

Capital commitments

	2010	2009
	RMB'000	*RMB'000*
Contracted but not provided for		
– acquisition of property, plant and equipment	**59,052**	15,325

Share Option Scheme

The Company adopted a share options scheme, but the Company has not granted any shares options for the year under review.

Human Resources and Employees' Remuneration

As at 31 December 2010, the Group employed a total of about 10,403 staff in the PRC and Hong Kong, of which a total of 8,429 employees were engaged through employment agencies. During the year under review, the total cost of employees amounted to approximately RMB187,690,000. The Group sought to further strengthen staff training by offering focused training programmes 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. The Group continued to strive for the enhancement of professional standards and overall qualities of its staff. The Group also provided competitive salary packages to its staff, encouraging them to be fully dedicated in their work and to leverage their capabilities in serving its customers.

Future Development Strategies

Benefitting from the favourable policy related to energy-saving and emission-reduction in the "Twelfth-Five Year Plan" and the robust growth trend of the electric bike industry in the PRC, the Group intends to capture the enormous business opportunities in the market for environmental-friendly motive batteries market. It plans to continue its development strategy and to strengthen its market leading position. Summarized below are some of the key strategies:

Production

As a leading electric bike motive battery manufacturer in China, the Group is well positioned to benefit from the future growth of China's electric bike battery market. Therefore, the Group intends to continue focusing on upgrading its existing production facilities to satisfy market demand and to capitalise the opportunity to maintain leading position in term of production and technology.

In response to the challenges brought about by the temporary suspension of operations of the production facilities of Shandong Chaowei plant, the Group will look for opportunities to construct new production lines and to expand the production capacity of the existing plants through technological upgrades. Concurrently, the Group will accelerate the pace of completing existing expansion plan and to explore potential acquisition targets, in order to sustain the overall production capacity growth and to satisfy customers' order demand.

Research and development

One of the key points of the "Twelfth Five-Year Plan" is carbon emission reduction which paves the way for development of electric and hybrid vehicles. The Central Government intends to raise the number of new energy vehicles to more than one million during the period of the "Twelfth Five-Year Plan" and to further increase the target to five million by 2020. In order to achieve the target, the Government may provide a variety of incentives, such as reduction and exemption of car purchase taxes and transportation discounts, to owners of electric and hybrid vehicles. Such policies would create more potential for development of the environmental-friendly motive battery manufacturing industry.

In view of this development, the Group plans to increase the sales of motive battery products to electric vehicles and existing electric bikes by expanding products range. We will continue our collaboration with a number of well-known universities and research institutes to develop new lines of products. At the same time, to capitalise on the sprouting commercial opportunity and to ensure our leadership in developing the market, the Group will recruit more senior research and technical staff and invest in cutting-edge facilities to further enhance its overall research and development capability.

Brand-building

Given the relatively low penetration rate of electric bikes in rural area, the Group will continue to expand its existing distribution network in the secondary market in order to capture its enormous growth potential. We will extend the reach of our existing distribution network by increasing market coverage and strengthening our cooperation with our existing distributors. In addition, we will enhance the brand recognition of our "Chilwee 超威" brand further so as to reinforce and expand our distribution network. The Board believes this focused brand-building strategy will enable our professional image to be readily differentiated and lay a solid foundation for our Group's development in the secondary market.

Raw material supplies

Our ability to source quality-grade lead, our primary raw material, 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. In the future, we intend to pursue strategic cooperation with lead suppliers in order to secure a stable supply of lead, control our cost of raw materials and enhance our competitiveness.

The Group believes that the directions for development presented above will be beneficial in helping us to consolidate our leadership in the PRC motive battery industry and to achieve our target of becoming a global leading motive battery manufacturer, while at the same time striving to the best of our ability to help reduce global carbon emissions.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year ended 31 December 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 year, 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 should be separated. 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 promptly 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the 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. 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 throughout the year ended 31 December 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 and one non-executive director of the Company, namely Mr. Lee Conway Kong Wai ("Mr. Lee"), Mr. Wang Jiqiang, Prof. Ouyang Minggao and Mr. Ng Chi Kit. 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 year ended 31 December 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 year ended 31 December 2010 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

PROPOSED FINAL DIVIDEND

Subject to shareholders' approval at the forthcoming AGM, the Directors proposed to declare a final dividend of RMB0.080 per share payable in cash on or before 15 June 2011 to shareholder whose names appear on the register of members of the Company as at the close of business on 26 May 2011.

CLOSURE OF REGISTER OF MEMBERS

In order to qualify for the final dividend and vote at the AGM, all transfer of Shares must be lodged with the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, by no later than 4:30 p.m. on 20 May 2011. The book close period will commence from 23 May 2011 to 26 May 2011 (both dates inclusive).

GENERAL INFORMATION

The Group's consolidated financial statements for the year ended 31 December 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 year ended 31 December 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 ANNUAL REPORT

The full text of the Company's 2010 annual report will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange of Hong Kong Limited (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

PRC, 28 March 2011

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