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 2011

FINANCIAL HIGHLIGHTS

- Revenue for the Period was approximately RMB1,939.2 million, representing an increase of approximately 34.3% over the corresponding period last year.

- Gross profit for the Period was approximately RMB585.6 million, representing an increase of approximately 52.4% over the corresponding period last year.

- Profit attributable to the owners of the Company for the Period was approximately RMB141.9million, representing an increase of approximately 18.8% over the corresponding period last year.

- Basic earnings per share for the Period amounted to RMB0.14 (six months ended 30 June 2010: RMB0.16). The decrease was mainly due to the shares issued upon listing of the shares of the Company on the Stock Exchange in July 2010 were not included in last year's calculation.

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Chaowei Power Holdings Limited (the "Company") is pleased to announce the unaudited interim financial results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 (the "Period") together with the comparative figures for the corresponding period of 2010. These interim financial results have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants and reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(audited)
Revenue	*3*	**1,939,172**	1,443,694
Cost of sales		**(1,353,601)**	(1,059,575)
Gross profit		**585,571**	384,119
Other income		**11,316**	24,873
Distribution and selling expenses		**(195,020)**	(152,251)
Administrative expenses		**(78,858)**	(50,756)
Research and development expenses		**(62,437)**	(21,198)
Other expenses		**(15,717)**	(18,440)
Finance costs		**(12,015)**	(9,507)
Profit before taxation	*4*	**232,840**	156,840
Income tax expense	*5*	**(50,032)**	(26,894)
Profit and total comprehensive income for the period		**182,808**	129,946
Profit and total comprehensive income attributable to:			
Owners of the Company		**141,877**	119,413
Non-controlling interests		**40,931**	10,533
		182,808	129,946
Earnings per share			
– Basic (RMB)	*6*	**0.14**	0.16

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2011 RMB'000 (unaudited)	As at 31 December 2010 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**837,383**	613,671
Prepaid lease payments-non-current portion		**84,411**	67,338
Investment property		**8,866**	9,157
Deferred tax assets		**54,211**	42,097
Deposits paid for acquisition of property, plant and equipment		**51,061**	20,451
Goodwill		**25,052**	14,956
		1,060,984	767,670
CURRENT ASSETS			
Inventories		**567,864**	626,538
Trade receivables	*8*	**92,584**	61,949
Bills receivable	*9*	**723,941**	593,238
Prepayments and other receivables		**147,439**	157,598
Amount due from a related party	*10*	**83**	264
Prepaid lease payments-current portion		**1,612**	1,478
Restricted bank deposits		**3,899**	200
Bank balances and cash		**494,294**	477,776
		2,031,716	1,919,041
CURRENT LIABILITIES			
Trade payables	*11*	**386,687**	353,555
Bills payable	*12*	**1,148**	–
Other payables		**321,642**	269,805
Amounts due to related parties	*10*	**10,009**	–
Income tax payable		**28,339**	33,665
Dividend payable		**–**	32,500
Provision		**106,626**	79,946
Bank borrowings-due within one year		**349,000**	167,752
		1,203,451	937,223
NET CURRENT ASSETS		**828,265**	981,818
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,889,249**	1,749,488

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2011

	Notes	**At 30 June 2011** *RMB'000* **(unaudited)**	At 31 December 2010 *RMB'000* (audited)
CAPITAL AND RESERVES			
Share capital		**68,140**	68,140
Reserves		**1,366,028**	1,305,290
Equity attributable to owners of the Company		**1,434,168**	1,373,430
Non-controlling interests		**157,432**	82,491
TOTAL EQUITY		**1,591,600**	1,455,921
NON-CURRENT LIABILITIES			
Deferred income		**16,654**	16,829
Deferred tax liabilities		**4,995**	738
Bank borrowings – due after one year		**276,000**	276,000
		297,649	293,567
		1,889,249	1,749,488

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 in the PRC is located at No. 19, Changhe Road, Xinxing Industry Park Zhicheng, Changxing, Zhejiang Province, PRC.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of presentation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB").

2.1 Adoption of new and revised international financial reporting standards ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised IFRSs") issued by the IASB:

Improvements to IFRSs issued in 2010	
IAS 24 (as revised in 2009)	*Related Party Disclosures*
Amendments to IAS 32	*Classification of Right Issues*
Amendments to IFRIC 14	*Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*

The application of the above new or revised IFRSs in current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed 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 primarily 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 (the "PRC GAAP"), which has no any significant differences as compared with gross profit reported under IFRSs. 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 attributable to customers established in the People's Republic of China (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	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Lead-acid motive batteries for electric bikes	**1,895,782**	1,413,611
Lead-acid motive batteries for electric cars and storage batteries	**11,513**	4,356
Materials include lead and active additives	**31,877**	25,727
	1,939,172	1,443,694

4 PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Wages and salaries	**43,802**	57,278
Retirement benefits scheme contributions	**2,102**	2,351
Labour cost *(Note)*	**81,621**	47,117
Total staff costs	**127,525**	106,746
Cost of inventory recognised as expense	**1,353,601**	1,059,575
Loss on disposal of property, plant and equipment	**133**	968
Allowance for trade receivables	**403**	268
Allowance for other receivables	**72**	250
Allowance for inventories	**3,682**	8,794
Amortisation of prepaid lease payments	**800**	664
Auditors' remuneration	**530**	492
Depreciation of property, plant and equipment	**26,901**	18,012
Depreciation of investment property	**291**	291
Loss on impairment of property, plant and equipment	**2,140**	4,344

Note: The Group has entered into labor dispatch agreements with several service organisations which have provided labor service to the Group.

5 INCOME TAX EXPENSES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
The charge comprises:		
PRC current income tax	**54,981**	32,852
Deferred tax	**(4,949)**	(5,958)
	50,032	26,894

Under the Law of the PRC 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, Chaowei Power Co., Ltd. (超威電源有限公司) ("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, ceased to enjoy this tax benefit from 1 January 2011.

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%. Anhui Chaowei Power Co., Ltd. (安徽超威電源有限公司) 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 2011 (six months ended 30 June 2010: 25%). The Company and its subsidiaries incorporated in British Virgin Islands ("BVI") and Hong Kong had no assessable profits since their incorporation.

Under the EIT Law, withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. Deferred taxation was not provided for in the consolidated financial statements of the Group for the year ended 31 December 2010 in respect of undistributed profits of relevant PRC subsidiary as the management confirmed that profits generated by the relevant PRC subsidiary in 2008, 2009 and 2010 will not be distributed to its foreign investor in the foreseeable future. During the six months ended 30 June 2011, the management of the Group has reassessed the dividend policy of its PRC subsidiaries based on the Group's current business plan and financial position. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiary will be distributed to its foreign investor and as such, deferred tax liability in this respect was provided for accordingly to the extent that such earnings are estimated to be distributed in the foreseeable future in the condensed consolidated financial statements of the Group for the Period.

6 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	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit for the period attributable to owners of the Company	**141,877**	119,413

	Six months ended 30 June	
	2011	2010
	'000	*'000*
	(unaudited)	(audited)
Weighted average number of shares	**1,005,290**	750,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2010 was determined on the basis that 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 both periods.

7 DIVIDEND

During the Period, a dividend of RMB8.0 cents per share in respect of the year ended 31 December 2010 was declared and paid to the owners of the Company. The aggregate amount of this final dividend declared and paid in the Period amounted to RMB80,423,200, which was paid out from the Company's share premium. In the opinion of the Directors, such distribution is in compliance with the Articles of Association adopted by the Company and also the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Directors do not recommend the payment of any interim dividend for the Period.

8 TRADE RECEIVABLES

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 following is an analysis of trade receivables by age, presented based on the goods delivery date which is the same as sales recognition date, net of allowance for doubtful debts as at 30 June 2011 and 31 December 2010:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 15 days	**73,888**	52,606
16 – 90 days	**15,197**	6,770
91 – 180 days	**1,099**	2,026
181 – 365 days	**1,982**	547
Over 1 year	**418**	–
	92,584	61,949

9 BILLS RECEIVABLE

The aged analysis of bills receivable presented based on issue date at 30 June 2011 and 31 December 2010 is as follows:

	At 30 June 2011 *RMB'000* **(unaudited)**	At 31 December 2010 *RMB'000* (audited)
0 – 90 days	**334,231**	339,900
91 – 180 days	**389,710**	253,338
	723,941	593,238

Bills receivable of approximately RMB216,558,000 as at 30 June 2011 (31 December 2010: RMB242,029,000) were endorsed with recourse to third party suppliers for purchase of raw materials and the corresponding trade payables of RMB216,558,000 as at 30 June 2011 (31 December 2010: RMB242,029,000) were included in the condensed consolidated statement of financial position accordingly.

Included in the bills receivables as at 30 June 2011 was an amount of approximately RMB24,858,000 (31 December 2010: RMB15,077,000) which was endorsed with recourse to third party suppliers for purchase of machinery.

10 BALANCES WITH RELATED PARTIES

	At 30 June 2011 *RMB'000* **(unaudited)**	At 31 December 2010 *RMB'000* (audited)
Amount due from a related entity:		
Trade nature		
– Henan Yifeng Electric Cars Manufacture Co., Ltd. (河南屹峰電動車製造有限公司) ("Henan Yifeng") *(note i)*	**83**	264

The amount due from a related party is denominated in RMB, unsecured, interest free and repayable on demand.

	At 30 June 2011 *RMB'000* (unaudited)	At 31 December 2010 *RMB'000* (audited)
Amounts due to related entities:		
Trade nature		
– Henan Yilin Commerce & Trade Co., Ltd (河南省屹林商貿有限公司) ("Henan Yilin") *(note ii)*	**9**	–
Non-trade nature		
– Wu Rongliang (吳榮良) *(note iii)*	**4,900**	–
Amount due to a Director:		
Non-trade nature		
– Zhou Mingming (周明明)	**5,100**	–

The amounts due to the above related parties are denominated in RMB, unsecured, interest free and to be settled either on demand or within one year.

Notes:

(i) Henan Yifeng is controlled by non-controlling parties of Henan Chaowei Power Co., Ltd., a subsidiary of the Company.

(ii) Henan Yilin is controlled by Henan Yifeng.

(iii) Wu Rongliang is a non-controlling party of Anhui Yongheng Power Technology Co., Ltd. (安徽永恆動力科技有限公司) ("Anhui Yongheng).

11 TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the material receiving date, at 30 June 2011 and 31 December 2010:

	At 30 June 2011 *RMB'000* (unaudited)	At 31 December 2010 *RMB'000* (audited)
0 – 30 days	**167,221**	67,790
31 – 90 days	**100,227**	170,979
91 – 180 days	**111,415**	105,358
181 – 365 days	**7,133**	6,669
1 – 2 years	**232**	2,113
Over 2 years	**459**	646
	386,687	353,555

12 BILLS PAYABLE

All the bills payable are of trading nature and will mature within six months from issue date.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

As China's economy grew rapidly, peoples' average income have been rising in recent years. Rapid urbanization in many first-tier and second-tier cities is not met by the corresponding rate of development of roads and transportation systems. Many people use electric bikes for daily commute and electric bikes have become part of their daily life. Similarly, mass transportation systems are not well developed in many second and third-tier cities. Electric bikes have become a highly popular transportation method because of its convenience and low cost. Although the number of electric bikes has increased significantly in recent years, the market penetration rate is still not high. According to market statistics, the number of electric bikes amounted to 120 million and their annual sales reached 25 million units as at the end of 2010. Electric bikes have already become an important daily means of transportation and at the same time signify a low-carbon healthy living style. Helped by a series of favourable government policies, the lead-acid battery industry has seen enormous growth opportunities in recent years.

As the PRC government intends to strengthen the enforcement of environmental protection measures, there is a growing concern over pollution prevention efforts of lead-acid battery and other industries involving the use of heavy metals. The Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) stepped up its efforts in industry monitoring. A list setting out lead-acid storage battery manufacturers that were ordered to shut down due to substandard product quality was released on 2 August 2011. There are 1,930 lead-acid battery manufacturers, assembly and recycling operators nationwide. Among which, 30% were ordered to close down and 53% were required to temporarily suspend production. Only approximately 13% were allowed to maintain their production. As a result, the production capacity of the lead-acid batteries industry has been reduced significantly starting from the second quarter of 2011. In light of the sustaining strong market demand for lead-acid batteries, the increasing lead-acid batteries shortage would drive up the selling price of lead-acid batteries. In the long run, well-established lead-acid battery manufacturers, such as the Group, will benefit from it while enjoying favourable business opportunities arising from market excess demand and industry consolidation.

Business Review

Driven by the favorable business environment, the Group's sales during the Period increased by 34.3% over the same period in 2010 to approximately RMB1,939,172,000. Though the price of lead increased slightly over the corresponding period in 2010, the Group managed to pass the increased costs to customers by raising the average selling price of the Group's products. The average selling price of our products rose by 13.0% to RMB107 and the gross profit margin remained at a healthy level. In the Period, the Group sold approximately 17.5 million batteries. During the Period, the sales ratio between the primary and secondary markets was 54% and 46%.

During the Period, the Group supplied over 20 different models of batteries to cater for different types of electric bikes, with lead-acid batteries accounting for more than 95% of our total revenue. The Group's nationwide sales and distribution network covers both the primary and secondary markets. Our primary market sales are mainly made to electric bike manufacturers, such as Evermaster, Yadea, Byvin and Lima, which are market leaders in electric bike industry, and our secondary market sales mainly target our dedicated distributors focusing on replacement markets. As at 30 June 2011, the Group had 524 distributors throughout the country.

Expansion of Production Capacity

In view of the ever growing demand for electric bikes as expected by the market, the Group will endeavor to continuously enhance its production capacity. During the Period, the Group's new production facilities in Henan Province and Anhui Province were in full operation. In October 2010, the investment and construction of a new production facility in Ningyang County, Shandong Province (山東省寧陽縣) was approved by the Board. The estimated total investment for the project is about RMB230 million and production is expected to be commenced in the third quarter of 2011. Up to now, the construction has proceeded smoothly. It is expected the Group will have an additional designed annual production capacity of approximately 9,000,000 lead-acid batteries after the new production facility is put into full operation.

Our new wholly-owned subsidiary, Jiangxi Xinwei Power Technology Co., Ltd., (江西新威動力能源科技有限公司) entered into an arrangement with the government of Shanggao County, Jiangxi Province (江西省上高縣) to construct a new production facility in Shanggao County. The project is divided into three phases and the first phase is scheduled to commence production in September 2011 and is expected to be put into full operation in first half 2012. Upon the completion of the first phase, Jiangxi Xinwei will have an annual production capacity of approximately 12 million sets of electrode plates. The estimated total investment for this phase is approximately RMB150 million.

In addition, our Group has completed the acquisition of Anhui Yongheng Power Technology Co., Ltd. (安徽永恒動力科技有限公司) ("Auhui Yongheng") in June 2011. Anhui Yongheng is an established lead-acid battery manufacturer with an existing annual production capacity of approximately 1 million units of lead-acid motive batteries. It is expected that Anhui Yongheng will gradually increase its annual production capacity to approximately 9 million units of lead-acid batteries. The Board considers this acquisition as a more cost effective and time efficient way to expand the Group's production base in Anhui Province.

In recent years, the PRC's environmental authorities have strengthened their inspection of lead-acid battery manufacturers and strictly monitored against any non-compliance of enterprises. The Group has adopted cutting-edge production technology and environment-friendly production methods in order to maintain our product quality and to minimise the impact of battery production on the environment. As a leading enterprise in the lead-acid battery industry, Chaowei Power Co., Ltd. (超威電源有限公司) ("Chaowei Power") has obtained ISO9001 certification for quality monitoring systems and ISO14001 certification for environmental protection management standards.

Resumption of Operations of Shandong Chaowei

Last year, there were press articles published in the mainland China alleging that the blood and urine lead levels of certain residents of Wujialin village (吳家林村), Ningyang County, Shandong Province (山東省寧陽縣) 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 standards, and that the incident was caused by the operations of Shandong Chaowei. Since the suspension of operations of Shandong Chaowei on 29 December 2010, the management of the Group has been in continuous contacts and consultation with the relevant government authorities. Subsequently, the Board decided to resume the operations of Shandong Chaowei in May 2011 and Shandong Chaowei has resumed its productions since May 2011. The Group looks forward to restoring its production volume to approximately 6 millon units in 2011.

Financial Review

Revenue

The Group's revenue for the Period amounted to RMB1,939,172,000, representing an increase of 34.3% compared to RMB1,443,694,000 for the same period in 2010. 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 unit of battery. The Group sold approximately 17.5 million units of batteries during the Period (for the six months ended 30 June 2010: approximately 15.1 million units of batteries).

Gross profit

The Group's gross profit for the Period amounted to RMB585,571,000, representing an increase of 52.4% compared to RMB384,119,000 for the same period in 2010, primarily as a result of increased sales volume of lead-acid motive batteries. During the Period, gross profit margin increased from 26.6% to 30.2% primarily because of the increase in average selling price of the Group's products as compared to the same period in 2010.

Other income

The Group's other income for the Period amounted to RMB11,316,000, representing a decrease of about 54.5% compared to RMB24,873,000 for the same period in 2010. The decrease was mainly due to the relatively higher government grants received in the same period in 2010.

Distribution and selling expenses

The Group's distribution and selling expenses for the Period amounted to RMB195,020,000, representing an increase of approximately 28.1% compared to RMB152,251,000 for the same period in 2010. The increase was primarily due to the increase in commission expenses and marketing expenses as a result of the increase in sales.

Administrative expenses

The Group's administrative expenses for the Period were RMB78,858,000, representing an increase of 55.4% compared to RMB50,756,000 for the same period in 2010. The increase was mainly attributable to an increase in staff costs in time with the Group's business expansion, professional fees subsequent to listing on the Stock Exchange and consulting fee related to the Shandong plant in Ningyang County, Shandong Province.

Research and development expenses

Research and development expenses for the Period amounted to RMB62,437,000, representing an increase of 194.5% compared to RMB21,198,000 for the same period in 2010. The increase was primarily due to the increase in the number of research projects during the Period compared to that of the same period last year.

Finance costs

The Group's finance cost for the Period increased by 26.4% from RMB9,507,000 for six months ended 30 June 2010 to RMB12,015,000 for the same period in 2011. 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 borrowing balances.

Profit before taxation

For the above reasons, our profit before tax for the Period increased by 48.5% to RMB232,840,000 (for the six months ended 30 June 2010: RMB156,840,000).

Taxation

The Group's income tax expenses for the Period increased by 86.0% to RMB50,032,000 (for the six months ended 30 June 2010: RMB26,894,000). The increase was primarily because more profit was recorded by Henan Chaowei Power Co., Ltd. (河南超威電源有限公司) which had higher tax rates of 25% and the tax rate of Chaowei Power increased from 12.5% to 15% during the Period. The effective tax rate for the Period was 21.5%, representing an increase of 4.4 percentage points compared to the same period in last year.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Period amounted to RMB141,877,000, representing an increase of 18.8%, compared to RMB119,413,000 for the same period in 2010.

Liquidity and financial resources

As at 30 June 2011, the Group had net current assets of RMB828,265,000 (31 December 2010: RMB981,818,000) of which cash and bank deposits were RMB494,294,000 (31 December 2010: RMB477,776,000). Total borrowings, including discounted bills, were RMB625,000,000 (31 December 2010: RMB443,752,000). The borrowings were mainly used to finance the purchases of raw materials and operations of the Group. They were denominated in RMB, of which RMB206,000,000 bore interests at fixed rates and RMB349,000,000 were repayable within one year. The Group adopts centralised financing and treasury policies in order to ensure the funding is utilized efficiently. As at 30 June 2011, the Group's current ratio was 1.69 (31 December 2010: 2.05) and gearing ratio (total borrowings/total assets) was 0.20 (31 December 2010: 0.17). 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 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 2011 (31 December 2010: nil).

Human resources and employees' remuneration

As at 30 June 2011, the Group employed a total of about 9,464 staff in the PRC and Hong Kong. During the Period, the total staff costs amounted to approximately RMB127,525,000. 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 DEVELOPMENTS

The Group's long term goals are:

- to be the world's No.1 motive and storage battery supplier;
- to strengthen and lead the motive and storage battery technology development;
- to be a model manufacturer and trend-setter for the industry in China.

With both the primary and secondary market growing rapidly, the overall electric bikes lead-acid battery market is forecasted to grow at a CAGR of more than 15% annually. Despite the surging demand in the industry, the supply of the lead-acid battery is severely reduced as a result of recent environmental protection measures imposed by government. At the time of supply shortage and market consolidation, the Group is implementing the following strategies in order to maintain the leading position in the market:

Production expansion

To capture the huge potential of the emerging green lead-acid battery market, we will continue to focus on allocating resources to expand our production scale and enhance our leading position and strive for larger market share in this fast growing market. In recent years, the Group actively look for expansion opportunities. In addition to upgrading the existing production facilities, we intend to construct new production facilities in second-tier cities to increase our overall production capacity and the construction of new production facilities in Henan (河南) , Zhejiang (浙江) , Shandong (山東) and Jiangxi (江西) Provinces has commenced to meet continuously rising demand.

Mergers and acquisitions

As China's environmental protection departments strengthen inspections on lead-acid battery manufacturers, and strictly monitor non-compliant enterprises, the introduction of these policies is expected to result in consolidation of the lead-acid battery industry. Some smaller lead-acid battery manufacturers may be forced to shut down because they lack funding to carry out the production upgrade as ordered by the government. We believe the recent implementation of regulations would lead to a number of acquisition opportunities for better established market players like our Group to expand production capacity rapidly. While actively seeking acquisition targets, our Group will effect any acquisition only after obtaining satisfactory results of environmental assessment, financial and legal due diligence to ensure that the transaction would bring benefits to the Group and create synergy.

Strengthening the research and development capabilities

As a leading lead-acid battery manufacturer in the PRC, the Company endeavors to promote the production and sales of lead-acid motive batteries, wind and solar energy storage batteries. Capitalizing the Group's leading position in the lead-acid battery industry, we are currently pursuing the research and development of electric car motive batteries, wind and solar energy batteries and Li-ion motive batteries. We believe these new products will have long-term growth potential. To enhance the Group's research and development capabilities, and to develop innovative battery products targeting high-potential market, we will continue to recruit additional senior research and technical staff, strengthen our cooperation with renowned universities and research institutions, and invest in and install advanced facilities, assuring our leadership in the market.

Expansion of distribution network

It is expected that the secondary market will dominate the industry's rapid development in the future. The Group will continue to expand its existing distribution network in the secondary market in order to extend our market coverage and strengthen our cooperation with quality distributors, so that we can capture the huge potential of the market.

Strategic cooperation with lead suppliers

As lead is one of our primary raw material, our ability to source quality-grade lead at competitive prices in a timely manner is crucial to our production. We will continue 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. Simultaneously, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the Period, 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 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 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 Period.

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 reviewed results of the Group for the six months ended 30 June 2011. 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 unaudited consolidated results of the Group for the six months ended 30 June 2011 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 unaudited consolidated financial statements for the six months ended 30 June 2011 have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, in accordance with International Standards on Auditing. 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.

PUBLICATION OF INTERIM REPORT

The full text of the Company's 2011 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 and Chief Executive Officer

Changxing, Zhejiang Province, 22 August 2011

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