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 2011

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB4,932.0 million, representing an increase of approximately 52.9% over last year.
- Gross profit was approximately RMB1,582.0 million, representing an increase of approximately 86.6% over last year.
- Profit and total comprehensive income for the year was approximately RMB589.8 million, representing an increase of approximately 94.6% over last year.
- Profit attributable to the owners of the Company was approximately RMB455.3 million, representing an increase of approximately 69.8% over last year.
- Basic earnings per share amounted to RMB0.45, representing an increase of approximately 45.2% over last year.
- The Board proposed to declare a final dividend of RMB0.136 per share for the year ended 31 December 2011, which will be subject to shareholders' approval at the Annual General Meeting. This represented a total distribution of RMB136.7 million for the year ended 31 December 2011.

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 2011 together with the comparative figures for the corresponding period of 2010. 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 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	3	**4,932,011**	3,224,750
Cost of sales		**(3,350,052)**	(2,377,049)
Gross profit		**1,581,959**	847,701
Other income		**26,700**	53,605
Distribution and selling expenses		**(412,124)**	(309,285)
Administrative expenses		**(222,928)**	(116,826)
Research and development expenses		**(182,723)**	(51,407)
Other expenses		**(37,032)**	(33,088)
Finance costs	4	**(42,971)**	(20,782)
Profit before tax	5	**710,881**	369,918
Income tax expenses	6	**(121,058)**	(66,787)
Profit and total comprehensive income for the year		**589,823**	303,131
Profit and total comprehensive income attributable to:			
Owners of the Company		**455,338**	268,195
Non-controlling interests		**134,485**	34,936
		589,823	303,131
Earnings per share			
— Basic (RMB)	7	**0.45**	0.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	**2011** **RMB'000**	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,145,711**	613,671
Prepaid lease payments		**126,207**	67,338
Investment property		**8,410**	9,157
Deferred tax assets		**78,450**	42,097
Deposits paid for acquisition of property, plant and equipment		**108,424**	20,451
Goodwill		**25,628**	14,956
Available-for-sale investment		**4,000**	—
Other receivable		**28,300**	—
		1,525,130	767,670
CURRENT ASSETS			
Inventories		**895,919**	626,538
Trade receivables	*9*	**237,038**	61,949
Bills receivable	*10*	**736,614**	593,238
Prepayments and other receivables		**127,950**	157,598
Amount due from a related party		**198**	264
Prepaid lease payments		**2,671**	1,478
Restricted bank deposits		**150,926**	200
Bank balances and cash		**844,750**	477,776
		2,996,066	1,919,041
CURRENT LIABILITIES			
Trade payables	*11*	**587,964**	353,555
Bills payable	*12*	**37,640**	—
Other payables		**413,459**	269,805
Amounts due to related parties		**8,976**	—
Income tax payable		**37,522**	33,665
Dividend payable		**—**	32,500
Provision		**125,111**	79,946
Bank borrowings		**1,094,000**	167,752
		2,304,672	937,223
NET CURRENT ASSETS		**691,394**	981,818
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,216,524**	1,749,488

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*

At 31 December 2011

	Notes	**2011** **RMB'000**	2010 *RMB'000*
CAPITAL AND RESERVES			
Share capital		**68,140**	68,140
Reserves		**1,679,656**	1,305,290
Equity attributable to owners of the Company		**1,747,796**	1,373,430
Non-controlling interests		**253,657**	82,491
TOTAL EQUITY		**2,001,453**	1,455,921
NON-CURRENT LIABILITIES			
Deferred income		**51,069**	16,829
Deferred tax liabilities		**8,002**	738
Bank borrowings		**156,000**	276,000
		215,071	293,567
		2,216,524	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 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 Xinxing Industry Park Zhicheng, Changxing, Zhejiang Province, PRC. The Group is mainly engaged in manufacture and sales of lead-acid 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 ("IFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2.1 Adoption of new and revised international financial reporting standards

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.

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

The adoption of the new and revised IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements for the year ended 31 December 2011.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of lead-acid motive batteries. The Group's revenue represents the amount received and receivable for sale of lead-acid 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 is the same as gross profit reported under IFRSs. Therefore, the operation of the Group constitutes one single operating segment. Accordingly, no segment information is presented.

No segment assets and liabilities, and related other segment information were presented as no such discrete financial information are provided to the chief operating decision maker.

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

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

An analysis of revenue by products is as follows:

	2011	2010
	RMB'000	*RMB'000*
Lead-acid motive batteries		
Electric bikes battery	**4,669,096**	3,117,460
Storage battery	**13,920**	9,751
Electric cars battery and special-purpose electric cars battery	**170,094**	51,800
Li-ion batteries	**565**	—
Materials include lead and active additives	**78,336**	45,739
	4,932,011	3,224,750

4. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings wholly repayable within five years	**42,971**	20,782

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2011	2010
	RMB'000	*RMB'000*
Wages and salaries	**172,561**	111,504
Retirement benefits scheme contributions	**6,220**	4,296
Labour cost *(Note)*	**195,454**	127,724
Total staff costs	**374,235**	243,524
Cost of inventories recognised as expense	**3,311,560**	2,361,301
Allowance for trade receivables	**4,977**	714
Allowance for other receivables	**152**	687
Allowance for inventories	**2,862**	2,958
Prepaid lease payments released to profit or loss	**1,626**	1,248
Auditors' remuneration	**2,650**	1,937
Depreciation of property, plant and equipment	**61,242**	40,190

Note: The Group has entered into various labour dispatch agreements with several service organisations which provide labour service to the Group.

6. INCOME TAX EXPENSES

	2011	2010
	RMB'000	*RMB'000*
The charge comprises:		
PRC current income tax	**149,958**	87,816
Deferred tax	**(28,900)**	(21,029)
	121,058	66,787

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. 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. Currently, the Group is subject to withholding tax at 10%. During the year, withholding tax amounting to RMB2,722,000 was paid by the Group to relevant tax authorities.

Pursuant to the approval of the Zhejiang State Tax Bureau, 超威電源有限公司 (Chaowei Power Co. Ltd) 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 Co. Ltd 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%. 安徽超威電源有限公司 (Anhui Chaowei Power Co., Ltd.) was recognised as a New and High Technical Enterprise 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.) was recognised as a New and High Technical Enterprise 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.

Chaowei Power Co. Ltd was recognised as a New and High Technical Enterprise on 30 December 2011 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 2011 to 2013.

河南超威電源有限公司 (Henan Chaowei Power Co., Ltd.) was recognised as a New and High Technical Enterprise on 28 July 2011 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 2011 to 2013.

Other subsidiaries established in the PRC were subject to income tax rate of 25% for the year ended 31 December 2011 (2010: 25%). The Company and its subsidiaries incorporated in British Virgin Islands ("BVI") and Hong Kong had no assessable profits since their incorporation.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2011	2010
	RMB'000	*RMB'000*
Profit before tax	**710,881**	369,918
Tax at the applicable income tax rate of 25%	**177,720**	92,480
Tax effect of income tax credit granted to a subsidiary in research and development expenditure	**(6,906)**	(6,426)
Tax effect of expenses not deductible	**5,403**	7,001
Effect of preferential tax rates on income of certain subsidiaries	**(67,954)**	(26,268)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	**2,559**	—
Tax effect of tax losses not recognized	**172**	—
Deferred tax associated with withholding tax on undistributed profits of PRC subsidiaries	**10,064**	—
Income tax expense for the year	**121,058**	66,787

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:

	2011	2010
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company	**455,338**	268,195

	2011	2010
	'000	*'000*
Weighted average number of shares	**1,005,290**	874,179

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2010 has been adjusted for the effect of 749,900,000 ordinary shares issued pursuant to the capitalisation issue completed on 7 July 2010.

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

8. DIVIDEND

	2011	2010
	RMB'000	*RMB'000*
Dividends declared for distribution during the year:		
Declared by Chaowei Power Co. Ltd.	**—**	65,000
2010 final dividend declared by the Company — RMB8.0 cents per share	**80,423**	—
	80,423	65,000

A final dividend of RMB0.136 per share in respect of the year ended 31 December 2011 has been proposed by the directors of the Company which is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

During the current year, a dividend of RMB8.0 cents per share in respect of the year ended 31 December 2010 was declared based on 1,005,290,000 shares as at 31 December 2010, and paid to the owners of the Company. The aggregate amount of this dividend declared and paid amounted to RMB80,423,200. The dividend was paid out from the Company's share premium. In the opinion of the directors of the Company, 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.

On 5 March 2010, Chaowei Power Co., Ltd. declared dividend in the total amount of RMB65,000,000 to its then owners from its retained earnings, 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.

9. TRADE RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**245,556**	65,490
Less: allowance for doubtful debts	**(8,518)**	(3,541)
	237,038	61,949

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 goods delivery date which is the same as sales recognition date, at the end of the reporting period is as follows:

	2011	2010
	RMB'000	*RMB'000*
0–15 days	**129,884**	52,606
16–90 days	**87,598**	6,770
91–180 days	**14,981**	2,026
181–365 days	**4,575**	547
	237,038	61,949

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:

	2011	2010
	RMB'000	*RMB'000*
16–90 days	**87,598**	6,770
91–180 days	**14,981**	2,026
181–365 days	**4,575**	547
	107,154	9,343

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:

	2011	2010
	RMB'000	*RMB'000*
At beginning of the year	**3,541**	3,854
Provided for the year	**4,977**	714
Write-off for the year	**—**	(1,027)
At end of the year	**8,518**	3,541

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

	2011	2010
	RMB'000	*RMB'000*
Bills receivable	**736,614**	593,238

The Group did not have any discounted bills receivable as at 31 December 2011 (31 December 2010: RMB72,752,000) to banks with full recourse. The Group would continue to recognise the full carrying amount of the bills receivable and recognised the cash received on the discounting as bank borrowings.

Bills receivable of approximately RMB263,926,000 as at 31 December 2011 (31 December 2010: RMB242,029,000) were endorsed with full recourse to third party suppliers for purchase of raw materials and the corresponding trade payables of RMB263,926,000 as at 31 December 2011 (31 December 2010: RMB242,029,000) were included in the consolidated statement of financial position accordingly.

Included in the bills receivable as at 31 December 2011 was an amount of approximately RMB123,782,000 (31 December 2010: RMB15,077,000) which was endorsed with full recourse to third party suppliers for purchase of machinery and payments for construction in progress.

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

	2011	2010
	RMB'000	*RMB'000*
0–90 days	**565,378**	339,900
91–180 days	**171,236**	253,338
	736,614	593,238

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 31 December 2011 of RMB263,926,000 (31 December 2010: RMB242,029,000) aged within 180 days has been settled by endorsed bills receivable 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 period is as follows:

	2011	2010
	RMB'000	*RMB'000*
0–30 days	**196,981**	67,790
31–90 days	**124,903**	170,979
91–180 days	**220,417**	105,358
181–365 days	**15,666**	6,669
1–2 years	**29,859**	2,113
Over 2 years	**138**	646
	587,964	353,555

12. BILLS PAYABLE

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

	2011	2010
	RMB'000	*RMB'000*
0–90 days	**18,440**	—
91–180 days	**19,200**	—
	37,640	—

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

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Chaowei Power Holdings Limited ("Chaowei Power" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present to the shareholders of the Company the annual report of the Group for the year ended 31 December 2011.

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 has not been met by a corresponding rate of development of road and transportation systems. Many people use electric bikes ("ebikes") for daily commute and ebikes have become a part of their daily lives. Similarly, mass transportation systems are not well developed in many second and third-tier cities. Ebikes have become a highly popular transportation method because of its convenience and low cost. Moreover, given the limited oil sources in the world, the oil price is expected to rise gradually. Energy saving transportation means such as ebikes would become more and more popular as a result of government's favorable policies and people's preference for low-cost transportation. Such has created a strong and sustainable demand for the electric bikes lead acid motive batteries.

On the supply side, 2011 has been a year of change for our industry. 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. Pursuant to this list, among the 1,930 lead-acid battery manufacturing, assembly and recycling operators nationwide, 30% were ordered to close down and 53% were required to temporarily suspend production and 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. As a result of our continuous efforts to ensure compliance with environmental standards, the Group is one of the few lead-acid battery manufacturers that meet the prescribed industry standards and are allowed to maintain operations. The Group will grasp this opportunity to strengthen its position in the industry by actively increasing its production capacity and enhancing its production technology in order to achieve outstanding results and returns for our shareholders.

During the year under review, the Group had completed construction work for three new production facilities and capacity expansion projects, and had also completed three acquisitions, which successfully increased its annual production capacity by 30.2% from 43 million units of lead-acid batteries at the end of 2010 to 56 million units of lead-acid batteries at the end of 2011. During the year under review, our products have recorded strong sales growth, total sales volume was 42.9 million units of batteries, representing an increase of 28.4% compared to that of 2010. Among the total sales, approximately 20.2 million units were attributable to the primary market, representing 44.8% of the total sales; approximately 22.7 million units were attributable to the secondary market, representing 55.2% of the total sales. Driven by the increase in sales, overall earnings for the Group has soared to record high, with total revenue for the Group reaching RMB4,932.0 million, representing a substantial increase of 52.9% compared to that of 2010. Operating profit and profit attributable to owners of the company increased by 94.6% and 69.8% to RMB589.8 million and RMB455.3 million respectively. Gross profit margin maintained at a healthy level of 32.1%. Basic earnings per share increased by 45.2% to RMB0.45. The Board of Directors is pleased to recommend the declaration of a final dividend of RMB0.136 per share for the year ended 31 December 2011, which will be subject to shareholders approval at the forthcoming annual general meeting of the Company.

During the year under review, in order to maintain its competitiveness in the industry, the Group has actively engaged in the research and development of new technologies and new products, enhancing its production efficiency, as well as enriching its product mix. Chaowei Power is among the few manufacturers in China that are capable of adopting the enclosed battery formation process in commercial production. As at the end of 2011, 57% of the Group's production capacity can utilize the enclosed battery formation process. The Group will continue to invest in the research and development of production processes which not only meet current environmental requirements but also the potential industry standard change in the future.

Chaowei Power was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 7 July 2010. After being listed for more than one year, we have reinforced our corporate governance and enhanced the image of our Group and our brand, and have gained wide support from investors. Facing the opportunities and challenges in our industry as well as the ever changing economies, the Group will adjust its development strategy in a timely manner in order to maintain and consolidate its leading position in the industry and also to strive to become the world's largest supplier of motive batteries and storage batteries.

Last but not least, on behalf of the Board of Directors, I would like to thank our management and staff for their dedicated work and valuable contribution during the past year. I would also like to take this opportunity to express my gratitude to the Group's customers, suppliers, business partners and shareholders for their continuous support and trust.

Zhou Mingming
Chairman and Chief Executive Officer

29 February 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Established in 1998, our Group is the market leader in the fast growing China electric bikes lead-acid motive battery industry, our leading position has been further strengthened after successfully listed on the Main Board of the Hong Kong Stock Exchange Limited in 2010. Our Group's clients in the primary market are mainly top class electric bikes manufacturers, and as of the end of 2011 we have a national network of 675 dedicated distributors in the secondary market. The Group has also started to produce electric car lead-acid motive battery and wind and solar energy storage battery. The Group's production facilities have passed ISO9001 quality control system certification and ISO14001 environmental protection management standard certification.

Market Overview

As it is easy-to-use, environmentally friendly, energy saving and low in utility costs, the electric bike has become more and more popular in China, and has become a new living style that uniquely meets the needs of people in China now. Urbanization has been gaining pace and the Chinese government has also increased rural construction and implemented various policies (including the "Intervillage Road Network Construction Project" (村村通公路計劃)) which aims to providing road access to all villages. Demand for electric bikes in urban and rural areas of China has been growing continuously. According to Frost and Sullivan, the total accumulative electric bike population in the Chinese domestic market is approaching 132.9 million and is expected to grow at a CAGR of 12.4% from 2011 to 2013. In addition, the demand for new electric bikes by sales volume reached 25.8 million bikes in 2011 for the Chinese domestic market. As the lead-acid motive battery was used in more than 97% of the electric bikes, the fast growing of electric bikes will also drive up the demand for lead-acid ebikes battery. The market expects that the scale of the electric bikes lead-acid battery market to be growing at a CAGR of 16.9% from 2011 to 2013.

During recent years, China government has been actively developing environmental protection industry and rigidly enforcing all environmental protection work. In order to control the pollution caused by industries that involve heavy metal (such as the lead-acid battery industry), the Chinese government has been raising various standards (including emission and production processes requirement). Such measures have benefited the development of bigger players and stimulated industry consolidation. 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. Pursuant to this list, among the 1,930 lead-acid battery manufacturing, assembly and recycling operators nationwide, 30% were ordered to close down and 53% were required to temporarily suspend production and approximately 13% were allowed to maintain their production. The Ministry of Industry and Information Technology started the investigation work to eliminate obsolete production capacity at the end of 2011, and has amended the "Guiding Catalogue for Eliminating Obsolete Production Capacity (《淘汰落後產能指導目錄》)", "lead-acid battery industry" will become the main focus of obsolete capacity that needs to be eliminated in 2012. In addition, according to "Clean Production Implementation Plan for Battery Industry (《電池行業清潔生產實施方案》)" and "Entry Conditions for Lead-acid Storage Battery Industry (《鉛酸蓄電池行業准入條件》)" (proposed), the government will further eliminate the substandard production capacity of lead-acid battery enterprises, all these have created favorable conditions for scalable leading lead-acid battery manufacturers to expand their market shares and brought along long term business opportunities.

Business Review

Sales growth

Extending the growth trend of the electric bikes, market demand for electric bike lead-acid motive batteries remained strong in 2011. Supply of the lead-acid motive battery has been affected by the implementation of various environmental protection policies and the closing down of a significant number of market players. According to Frost and Sullivan, our market share by revenue accounted for 24.5% in the ebike motive battery market in 2011. As the business of lead-acid motive batteries for ebikes is currently still the main driving force of the Group, which accounted for over 95% of its total revenue in 2011, the Group's sales have recorded strong growth which enabled the Group's income, gross profit and net profit to record a significant double digit growth.

The Group's nationwide sales and distribution network covers the primary and secondary markets. In respect of primary market, the Group has gained support from various top class electric bike manufacturers: among the top ten electric bike manufacturers in China, eight of them were our clients, including well known enterprises such as Evermaster, Yadea, Byvin, Lima and Taifeng Bird. Revenue attributable from primary market was approximately RMB2,173.9 million, representing an increase of 59.0% compared to 2010. Distribution network of the Group's secondary market covered the whole nation, as of 31 December 2011, the Group had 675 dedicated distributors throughout the country, revenue generated from secondary market was approximately RMB2,679.8 million, representing an increase of 47.1% compared to that of last year.

Expansion of production capacity and the merger and acquisition within the industry

In order to satisfy the growing demand for lead-acid battery in primary market and secondary market, the Group has actively expanded its production capacity through the construction of new production facilities and also acquisitions in 2011.

New production facilities in Jiangxi, Shandong and Zhejiang

During the year under review, the Group has proactively constructed a new production line and focused on upgrading its production facilities. In April 2011, we built new production facilities in Jiangxi and the construction will be completed in 3 stages. The first phase has commenced production in September 2011, with a production capacity of 12 million sets of electrode plates. The second phase is under construction and is expected to commence production in 2012. In August 2011, the third stage of the new production facilities in Shandong has commenced production, which has provided the Group with an addition capacity of 9 million units of lead-acid motive batteries. In January 2012, the Group's wholly owned subsidiary Changxing Zhongcheng Power Co., Ltd. （長興衆成電源公司） has commenced construction of a new production facility. The plant is expected to commence production by June 2012. Upon its completion, the new production facility will achieve an annual production capacity of 12 million units of lead-acid motive batteries.

Acquisition of Anhui Yongheng Power, Huzhou Changguang Haotian Power and Zhejiang Changxing Jintaiyang Power

In addition, in order to increase the pace of expanding production capacity, the Group has undergone 3 acquisitions in 2011, including (1) the acquisition of Anhui Yongheng Power Technology Co., Ltd.(安徽永恒動力科技有限公司) in May 2011, and is planning to expand the new production base in Anhui Province; (2) the acquisition of Huzhou Changguang Haotian Power Co., Ltd. (湖州長廣浩天電源有限公司) in June 2011, thereby increasing our production capacity by 1.5 million units; and (3) the acquisition of Zhejiang Changxing Jintaiyang Power Co., Ltd. (浙江長興金太陽電源有限公司) in August 2011, and further increasing our production capacity by 1.5 million units. Benefited by the new production lines that come into operation and the completion of acquisitions, the total production capacities of the Group for the year ended 31 December 2011 has reached 56 million units, representing an increase of 30.2% compared to that of 2010.

Strengthening research and development and developing new products

In order to consolidate the Group's leading position in the industry, we have maintained our competitiveness within the country through continuously improving our existing products and developing new products. The Group has 410 research and development staff and technical staff as of 31 December 2011. In 2011, the Group's research and development team focused on the research and development of batteries and other new technology and has achieved good progress. During the year, research and development projects completed by the Group include the full plastic battery for electric bikes, a smart battery for electric bikes, a smart charger for lead-acid storage battery for electric bikes, a high performance lead-acid storage battery for electric cars, a lead-acid storage battery that has a management system for electric cars and a full plastic battery for electric forklifts. In addition, the Group has cooperated with well-known domestic and foreign institutions and colleges, and has undergone many research and development projects. As of 31 December 2011, the Group has 11 invention patents, 158 utility model patents and 23 design patents, and has participated in formulating 13 national and industry products standards. The Group is among the few manufacturers in the PRC that are capable of adopting the enclosed battery formation process in commercial production. During the year, the Group was accredited as 2011 Enterprise Institution of Zhejiang Province (2011年浙江省企業研究院), Provincial Outstanding High Technology Enterprise Researching Centre (省級優秀高新技術企業研發中心) and State Post-Doctorate Science Research Workshop (國家級博士後科研工作站), proving the strong research and development ability of the Group.

Enhance brand awareness

In order to further develop secondary market, we have strived to increase the number of point of sales to expand our sales network. In the meantime, the Group has kept enhancing its brand image, hoping that the enhancement in brand awareness could further extend the coverage of our sales network. In respect of brand building, the Group has carried out comprehensive marketing initiatives during the year, advertisements have been placed in all provinces and has continued to engage Mr. Donnie Yen a famous actor, as the spokesperson for our products. With Donnie Yen's energetic image, we believed that he can bring positive image for our Group to electric bikes customers, help to enhance public's awareness towards our Group and increase their confidence towards our products.

Financial Review

Revenue

During the year under review, the Group's revenue amounted to RMB4,932,011,000 in 2011, rising by 52.9% over RMB3,224,750,000 for 2010, 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 42.9 million units of batteries during 2011 (2010: 33.3 million units).

Gross profit

The Group's gross profit amounted to RMB1,581,959,000 in 2011, an increase of 86.6% over RMB847,701,000 for 2010, which was primarily attributed to a higher sales volume of lead-acid motive batteries. By raising the average selling prices of its products as a result of the supply shortage in our industry, the Group recorded significantly higher gross profit margin of 32.1% in 2011 as compared to 26.3% in 2010.

Other income

The Group's other income for the year amounted to RMB26,700,000 in 2011, representing a decrease of 50.2% from other income in 2010, which was mainly due to the one-off government grants of RMB46,131,000 in 2010.

Distribution and selling expenses

The Group's distribution and selling expenses for 2011 amounted to RMB412,124,000, representing an increase of approximately 33.3% over RMB309,285,000 for 2010, which was primarily attributed to the increase in after sales service provision, advertising expenses and transportation costs. For 2011, the distribution and selling expenses as a percentage of revenue were 8.4% (2010: 9.6%).

Administrative expenses

The Group's administrative expenses were RMB222,928,000 in 2011, representing a rise of 90.8% over RMB116,826,000 for 2010, which was primarily attributed to increases in staff expenses, depreciation and profession fees. The increase in administrative expenses was in line with the Group's business expansion.

Research and development expenses

Research and development expenses amounted to RMB182,723,000 in 2011, representing a substantial increase of 255.4% over RMB51,407,000 for 2010, 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 being undertaken, including research and development in new products, subsequent to listing.

Finance costs

The Group's finance costs increased by 106.8% from RMB20,782,000 for 2010 to RMB42,971,000 for 2011, which was primarily attributed to an increase in interest expenses on our bank borrowings as a result of the increase in our average outstanding bank borrowings.

Profit before taxation

For the above reasons, our profit before taxation increased by 92.2% to RMB710,881,000 in 2011 (2010: RMB369,918,000).

Taxation

The Group's income tax expenses for the year increased by 81.3% to RMB121,058,000 in 2011 (2010: RMB66,787,000). The increase in taxation was mainly in line with the increase in operating profit. The lower effective tax rate of 17.0% in 2011 (2010: 18.1%) was mainly due to Henan Chaowei Power Co. Ltd enjoying favorable tax rate of 15% as New and High Technical Enterprises in 2011.

Profit attributable to owners of the Company

In 2011, profit attributable to owners of the Company amounted to RMB455,338,000, a rise of 69.8% over RMB268,195,000 for 2010.

Liquidity and financial resources

As at 31 December 2011, the Group had net current assets of RMB691,394,000 (31 December 2010: RMB981,818,000) of which cash and bank deposits were RMB844,750,000 (31 December 2010: RMB477,776,000). Total borrowings, including discounted bills, were RMB1,250,000,000 (31 December 2010: RMB443,752,000), which were mainly used to finance the purchases and daily operations of the Group. They were denominated in RMB, of which RMB707,000,000 bore interest at fixed rates and RMB1,094,000,000 were repayable within one year. The Group adopts centralised financing and treasury policies in order to ensure that the Group's funding is utilised efficiently and monitors its interest rate risk in a conservative manner.

As at 31 December 2011, the Group's current ratio (current assets/current liabilities) was 1.30 (31 December 2010: 2.05) and gearing ratio (total borrowings/total assets) was 28% (31 December 2010: 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 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 2011 (31 December 2010: 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:

	2011	2010
	RMB'000	*RMB'000*
Buildings	**103,554**	36,270
Land use rights	**81,416**	53,053
Inventories	**—**	33,600
Bills receivable	**—**	72,752
Restricted bank deposits	**150,926**	200

Capital commitments

	2011	2010
	RMB'000	*RMB'000*
Contracted but not provided for		
— acquisition of property, plant and equipment	**291,325**	59,052

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 2011, the Group employed a total of about 11,473 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 RMB178,781,000. 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 Developments

In order to maintain our leading position in the industry and to capture the opportunities brought along by industry rectification and government policy, 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.

Strategic expansion of production capacity

As the government has placed more effort to make lead-acid battery manufacturers situate together, industry consolidation has brought lots of good merger opportunities to the Group. We will keep actively seeking targets for acquisitions to further increase our production capacity, and will strategically acquire enterprises that were being eliminated during industry consolidation but with good conditions, such as those with advanced production facilities, experienced management staff and those with technologies that can complement those of the Group, and to facilitate the Group's long term development through mergers and acquisitions. The Group is planning to construct new production facilities in second- and third-tier cities to further enlarge our market shares.

Strengthen Research and Development and lead technology development for the industry

To enhance product quality and to develop new products to meet market demand, the Group plans to enrich its product mix by developing various products, such as a full plastic storage plate battery (儲能板式全膠體電池), a high performance lead-acid storage battery for electric cars, a Lithium storage battery and Lithium battery for communication use. Besides lead-acid motive batteries for electric bikes, the Group will continue the research and development of motive batteries for electric cars, and is gradually introducing this product to the market. In order to further enhance our research and development capabilities and expertise and the Group's core competitiveness, the Group has constructed "Zhejiang Chaowei Research Institute (浙江省超威研究院)" in Zhejiang province and a 3,000 sq. m laboratory in the new production base. Besides, the Group will continue to expand the technology innovation team.

Expand distribution networks

According to market data, secondary market will undergo a fast growing period. The Group will continue to enhance the brand image of CHILWEE (「超威」) to facilitate the expansion of sales network in the secondary market, to extend market coverage, and to deepen the cooperation relationship with powerful distributors, with an aim to grab the huge growth potential of the market.

Strategic cooperation with lead suppliers to maintain stable growth of earnings through cost control

As lead is the major raw material for the Group's production, the ability to procure high quality lead at suitable price in a timely manner is paramount to our commercial success. To ensure a stable supply of lead, reduce the cost of raw materials and enhance the Group's competitiveness, the Group will continue to foster strategic cooperation with lead suppliers. In the meantime, the Group will adjust product prices according to market response to maintain high gross profits for the Group, and the Group will mitigate the adverse effect arising from the fluctuation of lead supply, quality and price through better inventory management.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year ended 31 December 2011, 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 of Hong Kong Limited (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 Mingming 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 2011.

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 accounting and 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 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 consolidated results of the Group for the year ended 31 December 2011 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 May 2012 to 24 May 2012 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting of the Company (the "Annual General Meeting"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, No.183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 18 May 2012.

The Board has resolved to recommend the payment of a final dividend of RMB0.136 per share for shareholders whose names appear on the Register of Members of the Company on 1 June 2012. The Register of Members will be closed from 30 May 2012 to 1 June 2012, both days inclusive, and the proposed final dividend is expected to be paid on 8 June 2012. The payment of dividends shall be subject to the approval of the shareholders at the Annual General Meeting of the Company expected to be held on 24 May 2012. In order to be qualified for the proposed dividend, shareholders should deliver share certificates together with transfer documents to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 29 May 2012.

GENERAL INFORMATION

The Group's consolidated financial statements for the year ended 31 December 2011 have been audited by the Company's auditors, Deloitte Touche Tohmatsu, in accordance with International Standards on Auditing.

PUBLICATION OF ANNUAL REPORT

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

PRC, 29 February 2012

As at the date of this announcement, the executive Directors are Mr. ZHOU Mingming, Mr. ZHOU Longrui, Ms. YANG Yunfei and Mr. YANG Xinxin, 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.