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 2012

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB9,559.4 million, representing an increase of approximately 93.8% over last year.
- Gross profit was approximately RMB1,894.8 million, representing an increase of approximately 34.8% over last year.
- Profit and total comprehensive income for the year was approximately RMB619.9 million, representing an increase of approximately 5.1% over last year.
- Profit attributable to the owners of the Company was approximately RMB496.3 million, representing an increase of approximately 9.0% over last year.
- Basic earnings per share amounted to RMB0.49, representing an increase of approximately 8.9% over last year.
- The Board proposed to declare a final dividend of RMB0.148 per share for the year ended 31 December 2012, which will be subject to shareholders' approval at the Annual General Meeting. This represented a total distribution of RMB148.8 million for the year ended 31 December 2012.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") 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 2012 together with the comparative figures for the corresponding period of 2011. These financial results have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and reviewed by the audit committee (the "Audit Committee") of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
Revenue	3	**9,559,439**	4,932,011
Cost of sales		**(7,664,679)**	(3,526,016)
Gross profit		**1,894,760**	1,405,995
Other income		**49,488**	26,700
Distribution and selling expenses		**(396,653)**	(236,160)
Administrative expenses		**(339,343)**	(222,928)
Research and development expenses		**(314,449)**	(182,723)
Other expenses and other losses		**(30,668)**	(37,032)
Finance costs	4	**(91,044)**	(42,971)
Share of result of an associate		**(19,620)**	–
Profit before tax	5	**752,471**	710,881
Income tax expense	6	**(132,537)**	(121,058)
Profit and total comprehensive income for the year		**619,934**	589,823
Profit and total comprehensive income attributable to:			
Owners of the Company		**496,328**	455,338
Non-controlling interests		**123,606**	134,485
		619,934	589,823
Earnings per share	7		
– Basic (RMB)		**0.49**	0.45
– Diluted (RMB)		**0.49**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,274,743**	1,145,711
Prepaid lease payments		**193,207**	126,207
Investment property		**7,663**	8,410
Deferred tax assets		**123,568**	78,450
Deposits paid for acquisition of property, plant and equipment		**132,336**	108,424
Goodwill		**49,447**	25,628
Interest in an associate		**38,380**	–
Available-for-sale investment		**–**	4,000
Other receivables		**–**	28,300
Loan receivable		**60,000**	–
		2,879,344	1,525,130
CURRENT ASSETS			
Inventories		**1,392,875**	895,919
Trade receivables	*9*	**277,397**	237,038
Bills receivable	*10*	**1,001,359**	736,614
Prepayments and other receivables		**419,269**	127,950
Amounts due from related parties		**16,863**	198
Prepaid lease payments		**4,114**	2,671
Money market funds		**20,000**	–
Restricted bank deposits		**201,289**	150,926
Bank balances and cash		**905,402**	844,750
		4,238,568	2,996,066
CURRENT LIABILITIES			
Trade payables	*11*	**1,271,724**	587,964
Bills payable	*12*	**8,460**	37,640
Other payables		**521,960**	413,459
Amounts due to related parties		**29,916**	8,976
Income tax payable		**32,679**	37,522
Provision		**246,356**	125,111
Bank borrowings		**1,512,135**	1,094,000
		3,623,230	2,304,672
NET CURRENT ASSETS		**615,338**	691,394
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,494,682**	2,216,524

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*
At 31 December 2012

	Notes	**2012** **RMB'000**	2011 *RMB'000*
CAPITAL AND RESERVES			
Share capital		**68,140**	68,140
Reserves		**2,098,908**	1,679,656
Equity attributable to owners of the Company		**2,167,048**	1,747,796
Non-controlling interests		**459,140**	253,657
TOTAL EQUITY		**2,626,188**	2,001,453
NON-CURRENT LIABILITIES			
Deferred income		**68,129**	51,069
Deferred tax liabilities		**565**	8,002
Bank borrowings		**236,000**	156,000
Convertible bonds		**563,800**	–
		868,494	215,071
		3,494,682	2,216,524

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 Amendments to Standards issued by the International Accounting Standards Board ("IASB") which have become effective.

IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
IFRS 7 (Amendments)	Financial Instruments Disclosures – Transfers of Financial Assets
IAS 1 (Amendments)	As part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in 2012

Except as described below, the adoption of the above amendments to standards 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 these consolidated financial statements.

Amendments to IFRS 7 Financial Instruments Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 Financial Instruments Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various suppliers to transfer to the suppliers its contractual rights to receive cash flows from certain bills receivable. The arrangements are made through endorsing those bills receivable to suppliers on a full recourse basis. Specifically, if the bills receivable are not paid at maturity, the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the corresponding trade payables were included in the consolidated statement of financial position accordingly. The relevant disclosures have been made regarding the transfer of these bills receivable on application of the amendments to IFRS 7.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in June 2012)

Various amendments to IFRSs were issued in May 2012, the title of which is Annual Improvements to IFRSs (2009 – 2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to IAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In current year, the Group has reclassified warranty provision expense from distribution and selling expenses to cost of sales, which did not result in a material effect on the information in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to IAS 1, the Group does not present a third statement of financial position as at 1 January 2011.

The Group has not early applied the following new and revised Standards, Amendments and Interpretation ("New and revised IFRSs") that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle, except for the Amendments to IAS 1[1]
Amendments to IFRS 1	Government Loans[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[4]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[3]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2015
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2014

IFRS 9 "Financial Instruments"

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with earlier application permitted. The Directors of the Company do not expect IFRS 9 will have any material impact on the results and financial position of the Group based on an analysis of the Group's investments as at 31 December 2012.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements. SIC- 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 10 is effective for annual periods beginning on 1 January 2013, with earlier application permitted. The Directors of the Company anticipate that the application of IFRS 10 have no material impact on the results and the financial position of the Group.

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on financial statements. The disclosure requirements set out in IFRS 12 are more extensive than those in the current standards. Significant effort may be required to collect the necessary information.

IFRS 12 is effective for annual periods beginning on 1 January 2013, with earlier application permitted. The Directors of the Company anticipate that the application of IFRS 12 may result in more extensive disclosures in the consolidated financial statements.

IFRS 13 "Fair value measurement"

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial instruments: Disclosures" will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on 1 January 2013, with earlier application permitted. The Directors of the Company anticipate that the application of IFRS 13 may result in more extensive disclosures in the consolidated financial statements.

Other than above, the Directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

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 the 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 is provided to the chief operating decision maker.

Most of the external revenues of the Group during the year are contributable to customers established in the PRC, the place of domicile of the Group's operating entities. 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:

	2012	2011
	RMB'000	*RMB'000*
Lead-acid motive batteries		
Electric bikes battery	**8,543,436**	4,669,096
Storage battery	**42,779**	13,920
Electric cars battery and special-purpose electric cars battery	**734,139**	170,094
Li-ion batteries	**30,531**	565
Materials include lead and active additives	**208,554**	78,336
	9,559,439	4,932,011

4. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings wholly repayable within five years	**111,119**	42,971
Effective interest expense on the Convertible Bonds	**15,578**	–
Total borrowing costs	**126,697**	42,971
Less: amounts capitalised in construction in progress	**(35,653)**	–
	91,044	42,971

Borrowing costs capitalised during the year ended 31 December 2012 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.79% per annum to expenditure on qualifying assets.

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2012	2011
	RMB'000	*RMB'000*
Wages and salaries	**388,808**	172,561
Retirement benefits scheme contributions	**12,578**	6,220
Labour cost *(Note)*	**211,238**	195,454
Total staff costs	**612,624**	374,235
Cost of inventories recognised as expense	**7,257,936**	3,311,560
Allowance for inventories (included in cost of sales)	**6,151**	2,862
Prepaid lease payments released to profit or loss	**3,219**	1,626
Auditors' remuneration	**3,279**	2,650
Depreciation of property, plant and equipment	**116,982**	61,242

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

6. INCOME TAX EXPENSE

	2012 *RMB'000*	2011 *RMB'000*
The charge comprises:		
PRC current income tax	**183,321**	149,958
Deferred tax	**(50,784)**	(28,900)
	132,537	121,058

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. The Group is currently subject to withholding tax at 10%. During the year ended 31 December 2012, withholding tax on intra-group dividend amounting to RMB20,445,000 (year ended 31 December 2011: RMB2,722,000) was paid by the Group to relevant tax authorities.

In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprise was subject to income tax at a tax rate of 15%. 安徽超威電源有限公司 (Anhui Chaowei Power Co., Ltd.) ("Anhui Chaowei") was recognised as New and High Technical Enterprises on 11 November 2009 for 3 years in accordance with the applicable EIT Law of the PRC and was subject to income tax at a tax rate of 15% from 2009 to 2011. Anhui Chaowei was recognized as New and High Technical Enterprises again on 31 October 2012 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 2012 to 2014.

江蘇超威電源有限公司 (Jiangsu Chaowei Power Co., Ltd.) was recognised as New and High Technical Enterprises on 13 June 2010 for 3 years in accordance with the applicable EIT Law of the PRC and was subject to income tax at a tax rate of 15% from 2010 to 2012.

超威電源有限公司 (Chaowei Power Co., Ltd.) ("Chaowei Power") was recognised as New and High Technical Enterprises on 30 December 2011 for 3 years in accordance with the applicable EIT 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.) ("Henan Chaowei") was recognised as New and High Technical Enterprises on 28 July 2011 for 3 years in accordance with the applicable EIT Law of the PRC and was subject to income tax at a tax rate of 15% from 2011 to 2013.

山東超威電源有限公司 (Shandong Chaowei Power Co., Ltd.) was recognised as New and High Technical Enterprises in accordance with the applicable EIT Law of the PRC and obtained an approval from local tax authority on 1 January 2013 that the income tax rate was reduced to 15% for the year ended 31 December 2012.

Other subsidiaries established in the PRC were subject to income tax rate of 25% for the year ended 31 December 2012 (2011: 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:

	2012	2011
	RMB'000	*RMB'000*
Profit before tax	**752,471**	710,881
Tax at the applicable income tax rate of 25%	**188,118**	177,720
Tax effect of income tax credit granted to subsidiaries in research and development expenditure	**(18,118)**	(6,906)
Tax effect of expenses not deductible	**6,124**	5,403
Effect of preferential tax rates on income of certain subsidiaries	**(65,201)**	(67,954)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	**284**	2,559
Tax effect of tax losses not recognized	**3,322**	172
Tax effect of share of loss of an associate	**4,905**	–
Deferred tax associated with withholding tax on undistributed profits of PRC subsidiaries	**13,103**	10,064
Income tax expense for the year	**132,537**	121,058

7. EARNINGS PER SHARE

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

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**496,328**	455,338
Effect of dilutive potential ordinary shares: Interest on the Convertible Bonds	**15,578**	N/A
Earnings for the purpose of diluted earnings per share	**511,906**	N/A

	2012	2011
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,005,290**	1,005,290
Effect of dilutive potential ordinary shares: Convertible Bonds	**40,438**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,045,728**	N/A

8. DIVIDEND

	2012 *RMB'000*	2011 *RMB'000*
Dividends declared for distribution during the year:		
2011 final dividend – RMB0.136 per share		
(2010 final dividend – RMB0.08 per share)	**136,719**	80,423

A final dividend of RMB0.148 per share in respect of the year ended 31 December 2012 has been proposed by the Directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

The dividend in respect of the year ended 31 December 2010 and year ended 31 December 2011 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.

9. TRADE RECEIVABLES

	2012 *RMB'000*	2011 *RMB'000*
Trade receivables	**290,897**	245,556
Less: allowance for doubtful debts	**(13,500)**	(8,518)
	277,397	237,038

The Group normally allows a credit period of 15 days to its trade customers with good 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 revenue recognition date, at the end of the reporting period is as follows:

	2012 *RMB'000*	2011 *RMB'000*
0 – 15 days	**106,578**	129,884
16 – 90 days	**130,966**	87,598
91 – 180 days	**24,101**	14,981
181 – 365 days	**15,752**	4,575
	277,397	237,038

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:

	2012	2011
	RMB'000	*RMB'000*
16 – 90 days	**130,966**	87,598
91 – 180 days	**24,101**	14,981
181 – 365 days	**15,752**	4,575
	170,819	107,154

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:

	2012	2011
	RMB'000	*RMB'000*
At beginning of the year	**8,518**	3,541
Provided for the year	**4,982**	4,977
At end of the year	**13,500**	8,518

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

	2012	2011
	RMB'000	*RMB'000*
Bills receivable	**1,001,359**	736,614

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

	2012	2011
	RMB'000	*RMB'000*
0 – 90 days	**387,335**	565,378
91 – 180 days	**614,024**	171,236
	1,001,359	736,614

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 2012 of RMB620,376,000 (31 December 2011: RMB263,926,000) aged within 180 days has been settled by endorsed bills receivable but not matured at the end of the reporting period.

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

	2012	2011
	RMB'000	*RMB'000*
0 – 30 days	**357,119**	196,981
31 – 90 days	**341,856**	124,903
91 – 180 days	**482,012**	220,417
181 – 365 days	**53,900**	15,666
1 – 2 years	**34,753**	29,859
Over 2 years	**2,084**	138
	1,271,724	587,964

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:

	2012	2011
	RMB'000	*RMB'000*
0 – 90 days	**5,000**	18,440
91 – 180 days	**3,460**	19,200
	8,460	37,640

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

CHAIRMAN'S STATEMENT

On behalf of the Board of the Company, I am pleased to present our annual report for the year ended 31 December 2012.

The year 2012 was marked by both challenges and opportunities and we have been facing a competitive market. Nevertheless, consolidation opportunities arose as a result of favourable policies of the PRC Government to encourage the elimination of technologically obsolete production capacities. By continuously expanding the capacity and our distribution network, we endeavoured to strengthen our industry-leading position and achieved fruitful results in the past year.

Favourable macro-economic factors support demand

In recent years, the PRC economy has been growing rapidly with an average annual growth rate of the gross domestic product of 8%. Meanwhile, driven by the increasing income level and purchasing power, the demand of urban residents for personal travelling vehicles has been rising. The increasingly heavy traffic caused by the rapid urbanisation of first- and second-tier cities and the underdeveloped public transportation systems in third- and fourth-tier cities have made the highly efficient and user-friendly advantages of electric bikes more appealing. Electric bikes' average selling price and usage cost were only one-third and one-eighth of the respective costs of motorcycles. Besides, electric bikes do not cause direct environmental pollution. Hence, electric bikes have become vehicles conveniently available to the general public across the PRC. The increasing popularity of electric bikes has stimulated the market demand for batteries, which in turn has significantly accelerated the development of the electric motive battery industry. In addition, according to the 12th Five-Year Plan, the Government has stepped up its efforts to boost energy saving and emissions reduction, such favourable policies are expected to provide enormous growth potential for the green transportation industry as well as the motive battery market.

Industry leader in Enclosed Battery Formation Process capacity percentage

For the lead-acid motive battery industry within which we are operating, the entry barriers have been further elevated by the continuous implementation of the reform policies during 2012. The "Entry Requirements of the Lead-acid Battery Industry" (《鉛酸電池行業準入條件》) (the "Entry Requirements") require the traditional cadmium battery production process to be completely eliminated by the end of 2013. As a result, the obsolete production capacity of the industry has been gradually eliminated. The Ministry of Industry and Information Technology ("MIIT") of the PRC published two lists of lead-acid battery enterprises with obsolete capacity required to be shut down. After several rounds of large-scale industry consolidation, only around 200 enterprises remained in operation in the PRC. The increasing concentration of the industry provided excellent opportunities for development to the leading enterprises in the industry, including the Company. We have been complying to the standards of environmental assessment by actively promoting cadmium-free production. As such, the stringent environmental protection policies targeting the lead-acid battery industry implemented by the Government in recent years actually have given us the opportunity to demonstrate our technological superiority. The Company has been an industry pioneer in mastering the cadmium-free lead-acid battery formation process ("Enclosed Battery Formation Process") for many years and has substantial experience in applying this technique to our production. As at 31 December 2012, 83% of our production capacity has been implementing the Enclosed Battery Formation Process, the highest proportion within the industry. Meanwhile, we believe that we can increase the percentage to 100% by the end of 2013, providing us then with an even more remarkable technological superiority.

Capacity expansion leads to steady performance

During the year under review, the Company has completed the construction of two new production facilities and three acquisition and mergers, which have successfully expanded our production capacity of lead-acid batteries from 56 million units of last year to 90 million units. Supported by strong domestic market demand, we have enjoyed outstanding results with a notable growth during the year under review. As at 31 December 2012, our total product sales volume increased to 86.75 million units of batteries, representing a growth of 102.4% as compared to 2011. The further increase in sales was mitigated by the persistent pressures on the selling prices in the lead-acid motive battery market in the PRC, especially since the fourth quarter in 2012, as a result of fierce competition in the industry by leading market players in an attempt to increase market share. Total revenue amounted to RMB9,559.4 million, representing an increase of 93.8% as compared to last year. Gross profit and profit attributable to the owners of the Company increased by 34.8% and 9.0% to RMB1,894.8 million and RMB496.3 million, respectively. Basic earnings per share increased by 8.9% to RMB0.49. To reward our shareholders for their continuous support, the Board is pleased to declare a final dividend of RMB0.148 per share for the year ended 31 December 2012.

Moving ahead and strive to soar

Forging ahead, to capture the favourable market dynamics and maintain future business growth, we will modify our strategies in a timely manner in order to reinforce our leading position in the industry in consistent with our established long-term development objectives. We will further enhance the operational efficiency and increase production capacity so as to meet the strong market demand by continuously identifying potential acquisition opportunities and actively enhancing our existing facilities and improving our technological standards. Meanwhile, we will endeavour to strengthen the relationship with our partners in both primary and secondary markets, in order to expand our market coverage and bolster brand awareness. In addition, in view of the encouraging prospects of the new-energy automotive industry, the Company is making further efforts to develop more advanced technologies as well as new products to better tap new market opportunities in the future.

Appreciation

Last but not least, on behalf of the Board, I would like to thank our management and fellow colleagues for their dedicated work and valuable contributions throughout the year. I would also like to take this opportunity to express my sincere gratitude to our customers, suppliers, business partners and shareholders for their continuous support and trust. We believe that we are well positioned to become the world's largest lead-acid motive battery and storage battery supplier and are fully committed to our overall business development strategy. Meanwhile, we intend to seize every emerging business opportunity so that we could provide solid returns to our shareholders.

Zhou Mingming
Chairman and Chief Executive Officer

24 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is mainly engaged in the manufacturing and sale of lead-acid motive batteries and other related products under the "Chaowei (ChilWee)" trademark, a Chinese Famous Trademark. The Group's products are principally utilised in electric bikes, electric vehicles and special-purpose electric vehicles. In addition to lead-acid motive batteries, the Group also produces and launches lead-acid storage batteries, as well as lithium-ion batteries. As one of the few enterprises which has successfully adopted the Enclosed Battery Formation Process in large scale lead-acid battery production, the Group strongly advocates green production and provides a good role model for the industry.

Market Overview

Government-mandated Entry Requirements accelerate industry consolidation and benefit leading enterprises

With the view to upgrade the industry, protect the environment and enhance comprehensive efficiency in utilisation of resources, the MIIT and the Ministry of Environmental Protection ("MEP") of the PRC jointly promulgated the Entry Requirements, which officially came into effect on 1 July 2012. By raising the entry barriers of the industry, the Entry Requirements strictly ordered operations engaged in the production of lead-acid batteries and lead-based components with sub-standard cadmium or arsenic content to be shut down by the end of 2013. In order to effectively enforce the Entry Requirements, MIIT and MEP issued the "Provisional Measures on the Announcement of Entry into the Lead-acid Battery Industry" (《鉛蓄電池行業準入公告管理暫行辦法》) in December of the same year to further bolster supervision over the restriction of heavy metal pollutants in the battery industry. Hence, cadmium consumption of domestic battery industry is expected to reduce by 70% from 2010 to 2015. The lead-acid motive battery manufacturers were also required to comply with national environmental standards in respect to clean production, energy conservation and emissions reduction.

Currently, it is estimated that less than 50% of industry's production capacity adopted the Enclosed Battery Formation Process. Following the promulgation of the Entry Requirements, only around 218 lead-acid battery manufacturers were still eligible to carry on production as at the end of 2012. Against this backdrop, a considerable amount of obsolete production capacity is to be eventually eliminated, resulting in a higher concentration of the industry, which could bring unprecedented opportunities for consolidation to the Company as a leading industry player.

Vigourous development of Primary and Secondary Markets

In recent years, continuous urbanisation in China has allowed environmentally friendly electric bikes with competitive prices to enjoy a more remarkable advantage, particularly in third- and fourth-tier cities as well as rural areas in China where the market of electric bikes is growing dynamically and consumption generally keeps increasing. The usage of electric bikes as a substitute for motorcycles and bicycles has become increasingly common. Moreover, electric bikes are safer, more efficient, user-friendly and are suitable for more than approximately 70% of the national population with a wide range of applications. With the surging popularity of electric bikes, it is estimated that the accumulated scale of the market reached approximately 160 million units in 2012. Thanks to a rising demand for motive batteries used in new electric bikes (the "Primary Market"), the motive battery market has huge development potential. The motive battery replacement market (the "Secondary Market") is expected to be above 250 million units by the end of 2013, further driving battery replacement needs in the Secondary Market and providing tailwind to push the development of the motive battery market.

Business Review

Sophisticated techniques in Enclosed Battery Formation Process display the Group's technical prowess

Under the policy of industry consolidation, the entry barriers of the lead-acid motive battery industry have been further raised. While battery manufacturers within the industry are required to eliminate cadmium according to the Entry Requirements promulgated by the Government, the Group is well prepared for such requirements. Stricter regulatory requirements have imposed greater challenges to industry players, but have also brought consolidation opportunities to leading enterprises to increase their market share. With a higher concentration of the industry, leading enterprises such as the Group can enjoy excellent opportunities for development.

As one of the leading industry players, the Group has foreseen such opportunities, researched and utilised the Enclosed Battery Formation Process in its production since 2004, which currently makes it one of the few lead-acid motive battery manufacturers in China with sophisticated techniques in utilising multi-stage Enclosed Battery Formation Process for cadmium-free lead-acid batteries in large scale production. As at 31 December 2012, the Group has implemented the Enclosed Battery Formation Process in approximately 83% of its production capacity, representing a substantial increase from 57% of last year. Its energy conservation, emissions reduction and environmental protection philosophy has been in line with national development strategy. In order to fully achieve environmentally friendly production, the Group planned to complete conversion of its entire production lines to the Enclosed Battery Formation Process and implement 100% cadmium-free production by the end of 2013 so as to fully comply with the country's Entry Requirements. As it is estimated that only a portion of the industry's production capacity is currently complying with the new Entry Requirement, the Group then would leverage its leading technical advantage to the full extent.

Continuous expansion of the Primary Market thanks to rising market demand

Driven by favourable factors such as high oil price, strong demand of new sales of electric bikes and industry consolidation, sales of lead-acid motive batteries in China increased by 20% on a year-on-year basis in each of the past three years. Leveraging the momentum in the growing Primary Market, as at 31 December 2012, the Group's revenue generated from the Primary Market grew 58.9% to RMB3,454.0 million as compared to 2011 with sales volume increasing by 55.4% to 31.4 million units of batteries. The Group has maintained a solid relationship with leading domestic manufacturers of electric bikes, including Jiangsu Yadea, Zhejiang Luyuan, Shandong Byvin, Shanghai Lima and Tianjin Aima.

Seizing growth potential in the Secondary Market with nationwide distribution network

In order to expand its market share in the Secondary Market, the Group has established a nationwide distribution network covering every province and region across the country. The Group also restructured that network into 24 areas to improve overall management efficiency. As at the end of 2012, the Group had 997 independent distributors, as compared to 675 in last year. To enhance the overall operating capability of its agents and terminal sales, the Company provided regular training for its distributors to enrich their product knowledge and equip them with the latest industry information. As at 31 December 2012, revenue generated from the Secondary Market amounted to approximately RMB5,896.9 million, representing an increase of 120.1% as compared to last year with sales volume growing 144.3% to 55.3 million units of batteries.

Brand recognition and service quality are crucial to consolidating the existing customer base and expanding new customers. In order to enhance brand awareness, the Group has continued to engage Mr Donnie Yen, a famous international actor, as the brand spokesperson for the Company during the year under review. The popularity and charm of the spokesperson have effectively enhanced the Group's brand reputation. Moreover, the Group has proactively strengthened its brand promotion by placing more nationwide advertisements in order to attract a broader range of consumers. Meanwhile, the Group has also set up Chaowei retail and service outlets in all provinces across China while expanding its sales network to secure more customers from the Secondary Market. In respect of service improvement, the Group has adopted product identification, identity verification and a service system for its customers to easily verify product authenticity via the internet.

Motive batteries for new-energy vehicles and special-purpose electric vehicles

The "2020 Development Plan of Energy-saving and New-energy Automotive Industry" (《二零二零年節能與新能源汽車產業發展規劃》) promulgated by the State Council in July 2012, aims for sales of new-energy vehicles to exceed more than 5 million units by 2020, thereby stimulating the development of the environmentally-friendly battery industry.

To capitalise on these business opportunities, the Group has closely collaborated with major automobile manufactures in China during the year under review and planned to work with domestic manufacturers of electric vehicles on research and development projects, among which a high performance lead-acid storage battery for electric vehicles has passed product appraisal and has already commenced production. Being environmentally friendly, user-friendly, durable as well as low priced, electric vehicles can be widely applied in various ways. As at 31 December 2012, the Group's sales revenue from electric cars battery and special-purpose electric cars battery increased significantly by 331.6% to RMB734.1 million. This included electric vehicles and other special-purpose vehicles, such as electric golf carts, electric tourist coaches, electric forklifts, electric tricycles, and electric police patrol cars, etc.

Storage batteries and lithium-ion batteries

For the storage battery business, revenue of the Group for the year under review increased by 207.3% to RMB42.8 million. The lead-acid storage batteries developed by the Group can be utilised in solar power grids and wind farms. The Company has built up a strong technical foundation for storage batteries which plays a vital part in the development of the new energy business. The Group's revenue of lithium-ion batteries was RMB30.5 million, representing an increase of 5,303.7% compared to last year. To further improve its technical capability, the Group has actively bolstered its research and development capabilities. Chaowei Research Institute has been selected as a pilot unit for the "New Pilot Scheme on Technology Innovation of the Pure Electric Car Industry" (純電動汽車產業技術創新試點工作) in Zhejiang Province. Currently, the Company has introduced different kinds of lithium-ion batteries for electric bikes.

Strategic planning of continuous capacity and volume expansion

As China's demand for lead-acid motive batteries is increasing, and due to the effect of the regulatory measures recently implemented by the PRC Government on most of the battery manufacturers, the Group has taken a proactive stance to further expand its production capacity in order to meet market demand by upgrading its existing production facilities and building new production lines during the year under review. As at 31 December 2012, the Group has set up production bases in Shandong, Jiangsu, Henan, Zhejiang, Anhui and Jiangxi provinces. The annual production capacity of lead-acid motive batteries rose from 56 million units to 90 million units, representing an increase of 60.7%. Moreover, the Group has commenced constructing additional production facilities in Changxing County, Zhejiang Province and Xinhe County, Hebei Province since January and July 2012 respectively, which would significantly increase production capacity upon completion.

To accelerate capacity expansion, in addition to organic growth, the Group has also proactively initiated strategic acquisitions and mergers. In April and December 2012, the Group acquired a 60% equity interest in Jiangsu Yongda Power Co., Ltd. and a 28% equity interest in Zhejiang Zhenlong Power Co., Ltd. to expand production capacity. Furthermore, upon the successful acquisition of an 85% equity interest in Qinyang Libiao Plate Co., Ltd. ("Qinyang Libiao") from Henan Yifeng Electric Bikes Manufacturing Co., Ltd. by Henan Chaowei, an indirect non-wholly owned subsidiary of the Group in July 2012, Qinyang Libiao became an indirect non-wholly owned subsidiary of the Group which will supply quality electrode plate dividing paper to the Group. This acquisition is expected to help the Group to enhance battery quality and facilitate business development while further reducing production costs.

Continuously enhancing research and development capability highlights technological superiority

The Group's strong research and development capability has not only strengthened its product competitiveness, but also placed it at the forefront of the industry. Chaowei Research Institute has already been upgraded to a provincial-level corporate research institute in Zhejiang Province. In addition, the Group has also set up a post-doctoral work station, a provincial-level corporate research institute, a provincial high and new technology research and development centre and an enterprise technology centre. As at 31 December 2012, the Group possessed a total of 323 patents, including 26 invention patents. Besides, the Group's research and development team comprised 608 (2011: 410) staff at that time. The Group has also actively participated in provincial key projects of technology innovation and the National Torch Program by the Ministry of Science and Technology of China, and was devoted to develop more products for provincial applications as well as key national new products. With respect to research and development, the Group's expense during the year under review reached RMB314.4 million, an increase of 72.1% compared to 2011, representing 3.3% of the total revenue.

During the year under review, the Group has attained various research achievements in lead-acid motive batteries, lead-acid storage batteries and lithium-ion batteries and some have passed inspection and commenced production. The Group has also worked closely with various research and academic institutions in China, including Fuzhou University, Harbin University, and Xiamen University, etc, in order to enhance the research and development capability of both parties, and co-develop new products.

Financial Review

Revenue

During the year under review, the Group's revenue amounted to RMB9,559,439,000 in 2012, rising by 93.8% over RMB4,932,011,000 for 2011, which was primarily attributable to the growth in sales volume of lead-acid motive batteries as a result of the Group's gain in market share. The Group sold approximately 86.7 million units of batteries during 2012 (2011: 42.9 million units of batteries).

Gross profit

The Group's gross profit amounted to RMB1,894,760,000 in 2012, an increase of 34.8% over RMB1,405,995,000 for 2011, which was primarily attributed to a higher sales volume of lead-acid motive batteries. The gross profit margin in 2012 was 19.8% (2011: 28.5%) and the decrease in gross profit margin was mainly due to the increase in rebates given to customers as a result of fierce competition in the second half, especially the fourth quarter of the year under review.

Other income

The Group's other income for the year amounted to RMB49,488,000 in 2012, representing an increase of 85.3% from other income in 2011, which was mainly due to government grants of RMB32,949,000 (2011: RMB19,666,000) and interest income of RMB10,796,000 (2011: RMB4,207,000).

Distribution and selling expenses

The Group's distribution and selling expenses for 2012 amounted to RMB396,653,000, representing an increase of approximately 68.0% over RMB236,160,000 for 2011, which was primarily attributed to the increase in advertising expenses and transportation costs. For 2012, the distribution and selling expenses as a percentage of revenue were 4.1% (2011: 4.8%).

Administrative expenses

The Group's administrative expenses were RMB339,343,000 in 2012, representing a rise of 52.2% over RMB222,928,000 for 2011, which was primarily attributed to increases in staff expenses, depreciation and professional 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 RMB314,449,000 in 2012, representing a substantial increase of 72.1% over RMB182,723,000 for 2011, 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.

Finance costs

The Group's finance costs increased by 111.9% from RMB42,971,000 for 2011 to RMB91,044,000 for 2012, which was primarily attributed to 1) an increase in interest expenses on our bank borrowings as a result of the increase in our average outstanding bank borrowings, and 2) incurrence of interest expenses on the convertible bonds issued in September 2012.

Profit before tax

For the above reasons, our profit before tax increased by 5.9% to RMB752,471,000 in 2012 (2011: RMB710,881,000).

Taxation

The Group's income tax expenses for the year increased by 9.5% to RMB132,537,000 in 2012 (2011: RMB121,058,000). The increase in taxation was mainly in line with the increase in operating profit. The higher effective tax rate of 17.6% in 2012 (2011: 17.0%) was mainly due to loss of an associate which reduces the Group's profit base for calculation of effective tax rate.

Profit attributable to owners of the Company

In 2012, profit attributable to owners of the Company amounted to RMB496,328,000, representing a rise of 9.0% over RMB455,338,000 for 2011.

Liquidity and financial resources

As at 31 December 2012, the Group had net current assets of RMB615,338,000 (31 December 2011: RMB691,394,000) of which cash and bank balances were RMB905,402,000 (31 December 2011: RMB844,750,000). Total borrowings and convertible bonds were RMB2,311,935,000 (31 December 2011: RMB1,250,000,000), which were mainly used to finance the purchases and daily operations of the Group. They were denominated in RMB or HKD, of which RMB1,217,135,000 bore interest at fixed rates and RMB1,512,135,000 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 2012, the Group's current ratio (current assets/current liabilities) was 1.2 (31 December 2011: 1.3) and gearing ratio (total borrowings/total assets) was 32.5% (31 December 2011: 27.6%). 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 2012 (31 December 2011: 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 of the reporting periods is as follows:

	2012	2011
	RMB'000	*RMB'000*
Buildings	**145,667**	103,554
Land use rights	**48,127**	81,416
Trade receivables	**143,900**	–
Restricted bank deposits	**201,289**	150,926

Capital commitments

	2012	2011
	RMB'000	*RMB'000*
Contracted but not provided for		
– acquisition of property, plant and equipment	**258,572**	291,325

Share Option Scheme

The Company adopted a share options scheme on 7 June 2010, but the Company has not granted any shares options for the year under review.

Human Resources and Employees' Remuneration

As at 31 December 2012, the Group employed a total of about 18,696 (2011: 11,473) staff in the PRC and Hong Kong.

During the year under review, the total cost of employees amounted to approximately RMB612,624,000. 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.

Prospects and development strategies

The Group's long-term goals include:

- To become a benchmark enterprise and industry trend-setter in China.

- To strengthen and lead the technological development of the motive and storage battery industries; and

- To become the one of the world's largest motive and storage battery suppliers.

In order to achieve these long-term goals, the Group has planned to lead the industry with technology by attaining 100% cadmium-free production by the end of 2013. In turn, this could consolidate the Group's leading position in the industry while helping to guide the industry to a greener future.

The higher level of industry consolidation will create a favourable development opportunity for mature enterprises including the Group. The elimination of a significant number of substandard production capacities have swelled up the pressure of supply. At the same time, the increasing usage of electric bikes has led to an increase in market demand for lead-acid batteries. In order to meet the continuous growth in market demand, the Group on one hand intends to build up its production capacity through organic growth measures such as upgrading existing production lines and constructing new production facilities, and on the other hand carries out strategic acquisitions with a view to continuously increasing our production capacity and volume to meet additional customer demands. The Group's new production facility in Changxing County, Zhejiang Province commenced production in January 2013. The Group's seventh provincial production base in Xinhe County, Hebei Province is also expected to come on stream in April 2013, which should further enhance the Group's own production capacity. Meanwhile, the Group plans to make use of the opportunity of industry consolidation, and put greater efforts in mergers and reorganisations, in order to achieve the goal of increasing our production capacity to 120 million units of batteries by the end of 2013.

As for the Primary Market, in addition to maintaining a close relationship with existing business partners, the Group will also actively identify new customers and explore new business opportunities. Quality products and outstanding service are essential for enhancing customer loyalty, which in turn will promote the sales growth in the Primary Market. For the Secondary Market, the Group will continue to optimise its distribution network to extend market coverage and boost its brand reach and influence.

The Group will also continue to explore innovative technology in order to keep pace with the advances and be the trend-setter of the industry. Prospects of low-speed electric vehicles in China are getting brighter and the Group has fully equipped itself for the development of low-speed electric vehicles battery market. The research and development plans of the Group include the development of gel lead-acid batteries which have adopted the Enclosed Battery Formation Process; lead-acid batteries with quickly changeable modules for electric vehicles; as well as super lead-acid batteries for hybrid vehicles; improvement of large scale low temperature and long life expectancy storage batteries; and optimising lithium-ion batteries for electric bikes and electric vehicles. Forging ahead, the Group is continuing to uphold the value of "loyalty, responsibility, achievement, dedication," and bring vigour and vitality into future development.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Listing Rules and re-named it the Corporate Governance Code (the "New Code"). The New Code took effect on 1 April 2012.

The Company is committed to maintaining high standards of corporate governance in the interests of shareholders. Except for the deviations, during the period from 1 January 2012 to 31 December 2012, the Company has complied with the Old Code and the New Code for the period from 1 April 2012 to 30 June 2012.

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 and maximizes efficiency of its operation and is therefore beneficial to the Company and its shareholders as a whole.

Code provision A.2.7: The chairman should at least annually hold meetings with the non-executive Directors without the executive directors present. Such meeting was held after the period under review on 24 March 2013.

Code provision A.6.7: independent non-executive Directors and other non-executive Directors should attend general meetings.

Ms. Deng Xihong, a non-executive Director, and Mr. Wang Jiqiang and Prof. Ouyang Minggao, both independent non-executive Directors, were unable to attend the last annual general meeting of the Company held on 24 May 2012 due to other business engagement.

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 inside 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 2012.

AUDIT COMMITTEE

The Company has established the Audit Committee. Its primary duties include, among other things, the review and supervision of the Group's financial reporting process and internal control system. 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. Mr. Lee has professional qualification and experience in accounting and financial matters.

The Audit Committee 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 2012. The Audit Committee considered that the consolidated results of the Group for the year ended 31 December 2012 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 3 June 2013 to 6 June 2013 (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 31 May 2013.

The Board has resolved to recommend the payment of a final dividend of RMB0.148 per share for shareholders whose names appear on the Register of Members of the Company on 17 June 2013. The Register of Members will be closed from 13 June 2013 to 17 June 2013, both days inclusive, and the proposed final dividend is expected to be paid on 21 June 2013. 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 6 June 2013. 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 11 June 2013.

GENERAL INFORMATION

The Group's consolidated financial statements for the year ended 31 December 2012 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 2012 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, 24 March 2013

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.