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超威®
CHILWEE

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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 951)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- Revenue for the Period was approximately RMB8,391.0 million, representing an increase of approximately 1.0% over the corresponding period last year.
- Net profit for the Period was approximately RMB205.3 million, representing an increase of approximately 21.7% over the corresponding period last year.
- Profit and total comprehensive income attributable to the owners of the Company for the Period was approximately RMB137.2 million, representing an increase of approximately 9.7% over the corresponding period last year.
- Basic earnings per share for the Period amounted to RMB0.14 (the corresponding period of 2014: RMB0.12).
- The Board resolved not to declare an interim dividend for the Period.

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Chaowei Power Holdings Limited (the "Company" or "Chaowei Power") is pleased to announce the unaudited interim financial results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015 (the "Period") together with the comparative figures for the corresponding period of 2014. These interim financial results have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, Certified Public Accountants and the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
		2015	2014
		RMB'000	*RMB'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*4*	**8,390,977**	8,307,577
Cost of sales		**(7,230,666)**	(7,115,834)
Gross profit		**1,160,311**	1,191,743
Other income		**58,640**	42,464
Distribution and selling expenses		**(361,469)**	(453,999)
Administrative expenses		**(283,122)**	(257,679)
Research and development expenses		**(202,141)**	(203,366)
Other gains and losses		**16,420**	(13,659)
Finance costs		**(127,922)**	(93,991)
Share of results of associates		**(593)**	(449)
Share of results of a joint venture		**86**	–
Profit before taxation	*5*	**260,210**	211,064
Income tax expense	*6*	**(54,953)**	(42,475)
Profit for the Period		**205,257**	168,589
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(61)**	–
Profit and total comprehensive income for the Period		**205,196**	168,589
Profit attributable to:			
Owners of the Company		**137,293**	125,130
Non-controlling interests		**67,964**	43,459
		205,257	168,589
Profit and total comprehensive income attributable to:			
Owners of the Company		**137,232**	125,130
Non-controlling interests		**67,964**	43,459
		205,196	168,589
Earnings per share			
— Basic (RMB)	*7*	**0.14**	0.12
— Diluted (RMB)	*7*	**0.14**	0.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	Notes	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,561,659**	3,447,309
Prepaid lease payments		**267,252**	252,375
Investment properties		**30,593**	26,160
Deferred tax assets		**219,187**	211,054
Deposits paid for acquisition of property, plant and equipment		**64,020**	72,979
Goodwill		**49,447**	49,447
Intangible assets		**21,382**	22,570
Interests in associates		**43,624**	55,338
Interests in a joint venture		**57,086**	–
Loan receivables		**5,000**	5,000
Other receivables		**45,226**	–
		4,364,476	4,142,232
CURRENT ASSETS			
Inventories		**1,727,555**	1,722,667
Trade receivables	*9*	**855,647**	627,688
Bills receivable	*10*	**435,867**	775,809
Prepayments and other receivables		**728,092**	564,318
Amounts due from related parties		**–**	82,764
Loan receivables		**170,000**	225,000
Prepaid lease payments		**5,860**	5,490
Held-for-trading investments		**15,389**	8,514
Restricted bank deposits		**701,768**	275,054
Bank balances and cash		**915,403**	1,016,555
		5,555,581	5,303,859
CURRENT LIABILITIES			
Trade payables	*11*	**1,145,322**	960,648
Bills payable	*12*	**379,337**	375,105
Other payables		**881,163**	848,260
Amounts due to related parties		**–**	6,202
Income tax payable		**63,426**	36,917
Obligations under finance leases		**51,984**	–
Provision		**440,903**	441,528
Bank borrowings		**1,640,323**	1,926,170
Short term financing note		**–**	200,000
Convertible bonds		**529,507**	593,305
		5,131,965	5,388,135
NET CURRENT ASSETS/(LIABILITIES)		**423,616**	(84,276)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,788,092**	4,057,956

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015

	Notes	**At 30 June 2015** *RMB'000* **(unaudited)**	At 31 December 2014 *RMB'000* (audited)
CAPITAL AND RESERVES			
Share capital		**69,320**	68,140
Reserves		**2,344,802**	2,138,130
Equity attributable to owners of the Company		**2,414,122**	2,206,270
Non-controlling interests		**641,119**	575,056
TOTAL EQUITY		**3,055,241**	2,781,326
NON-CURRENT LIABILITIES			
Deferred income		**157,359**	153,559
Deferred tax liabilities		**17,220**	11,584
Obligations under finance leases		**199,735**	–
Bank borrowings		**765,200**	518,800
Corporate bonds		**593,337**	592,687
		1,732,851	1,276,630
		4,788,092	4,057,956

Notes:

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 18 January 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 7 July 2010.

The principal activities of the Group are manufacture and sale of motive batteries.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instrument which is measured at fair value.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

The adoption of amendments to standards and annual improvements effective for the current interim period commenced from 1 January 2015 does not have any material impact on the accounting policies adopted, interim financial position or performance of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of motive batteries and other related products in the People's Republic of China (the "PRC"). The Group's revenue primarily represents the amount received and receivable for sale of motive batteries during the period.

The information reported to the executive directors of the Company, who are the Group's chief operating decision maker for the purpose of resources 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 does not have any significant differences as compared with gross profit reported under IFRSs. Therefore, the operation of the Group constitutes one single operating segment. Accordingly, no segment information is presented.

An analysis of revenue by products is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Lead-acid motive batteries		
Electric bikes battery	**6,883,297**	6,923,335
Storage battery	**77,207**	26,378
Electric cars battery and special-purpose electric cars battery	**1,326,294**	1,081,523
Li-ion batteries	**38,367**	43,552
Materials include lead and active additives	**65,812**	232,789
	8,390,977	8,307,577

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Wages and salaries	**319,423**	314,353
Retirement benefits scheme contributions	**14,248**	14,219
Labour cost *(Note)*	**110,207**	128,960
Total staff costs	**443,878**	457,532
Interest income	**(14,049)**	(3,618)
Entrusted loan interest income	**(7,439)**	(8,383)
Government grants	**(30,768)**	(25,647)
Allowance for bad and doubtful debts of trade receivables	**14,092**	7,562
Allowance for bad and doubtful debts of other receivables	**4,808**	–
Depreciation of investment property	**867**	291
(Gain)/loss on disposal of property, plant and equipment	**(145)**	3,953
Exchange loss/(gain)	**4,303**	(1,649)
Cost of inventory recognised as expense	**6,984,008**	6,832,545
Allowance for inventories (included in cost of sales)	**7,995**	2,838
Prepaid lease payments released to profit or loss	**2,695**	1,930
Amortisation of intangible assets	**1,188**	–
Amortisation of unrealised loss of sale and lease back transaction	**372**	–
Depreciation of property, plant and equipment	**158,595**	116,712

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

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC current income tax	**57,450**	68,319
Deferred tax	**(2,497)**	(25,844)
	54,953	42,475

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. Certain subsidiaries of the Group were entitled to reduced tax rate of 15% under the preferential treatment policy of the EIT Law. 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 aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB2,272,682,000 as at 30 June 2015 (31 December 2014: RMB2,043,992,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**137,293**	125,130
Effect of dilutive potential ordinary shares:		
Interest on the convertible bonds	**–**	–
Earnings for the purpose of diluted earnings per share	**137,293**	125,130

	Six months ended 30 June	
	2015	2014
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,008,821**	1,005,290
Effect of dilutive potential ordinary shares: convertible bonds	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,008,821**	1,005,290

The computation of diluted earnings per share for the six months periods ended 30 June 2015 and 2014 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

8. DIVIDENDS

During the Period, no dividend was declared in respect of the year ended 31 December 2014 (six months ended 30 June 2014: RMB0.093 per share in respect of the year ended 31 December 2013). The aggregate amount of the final dividend declared and paid during the six months ended 30 June 2014 amounted to RMB93,492,000.

The directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2014: Nil).

9. TRADE RECEIVABLES

The Group normally allows a credit period of 15 days to its trade customers with trading history, or otherwise sales on cash terms are required. The following is an analysis of trade receivables by age, presented based on the goods delivery date which is the same as sales recognition date, net of allowance for doubtful debts as at 30 June 2015 and 31 December 2014:

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0–15 days	**371,890**	140,570
16–90 days	**288,586**	327,478
91–180 days	**87,964**	123,593
181–365 days	**107,207**	36,047
	855,647	627,688

10. BILLS RECEIVABLE

The aging analysis of bills receivable presented based on issue date at 30 June 2015 and 31 December 2014 is as follows:

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0–90 days	**285,426**	389,311
91–180 days	**150,441**	386,498
	435,867	775,809

Bills receivable of approximately RMB210,600,000 as at 30 June 2015 (31 December 2014: RMB302,834,000) were endorsed with full recourse to third party suppliers for purchase of raw materials and the corresponding trade payables of RMB210,600,000 as at 30 June 2015 (31 December 2014: RMB302,834,000) were included in the condensed consolidated statement of financial position accordingly.

Included in the bills receivable as at 30 June 2015 was an amount of approximately RMB8,180,000 (31 December 2014: RMB18,306,000) which was endorsed with full recourse to third party suppliers for purchase of machinery and payments for construction in progress.

11. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the material receiving date, at 30 June 2015 and 31 December 2014:

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0–30 days	**581,667**	476,835
31–90 days	**284,091**	166,463
91–180 days	**158,468**	240,013
181–365 days	**109,488**	49,895
1–2 years	**7,930**	23,310
Over 2 years	**3,678**	4,132
	1,145,322	960,648

12. BILLS PAYABLE

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacturing and sale of lead-acid motive batteries, lithium-ion batteries and other related products, which are widely used to power electric bikes, electric vehicles and special-purpose electric vehicles. In addition to lead-acid motive batteries, it also manufactures and sells storage batteries for wind power and solar power generation. Leveraging its advanced technology, the Group plans to manufacture and sell other products including start and stop battery for automobiles in the future. In 2014, the Group has ranked first in the industry in terms of market share, capacity, production, sales volume and revenue. In the first half of 2015, profit attributable to owners of the Company amounted to RMB137.3 million and revenue reached RMB8,391.0 million, respectively, further consolidating its industry-leading position.

Industry Overview

Positive dynamics for the battery market

In recent years, air pollution has become a major issue attracting greater public concern. Constant reports of smog have sent an alarm of the worsening conditions of the living environment across China. Electric bikes which are totally free from exhaust emissions can substantially reduce air pollution, thereby facilitating environment improvement and driving the development of greener cities. Electric bikes offering low-price, low-cost, energy-saving, environmentally-friendly and convenience features are becoming increasingly popular in the second- and third-tier cities and rural areas. At the same time, the Chinese government has encouraged the use of alternative energy to reduce dependence on petroleum, which also favours the rapid development of the electric bike industry in parallel with the increasing demand for environmentally-friendly products. According to Frost & Sullivan, sales volume of electric bikes in China is expected to increase, with an expected CAGR of 9.8% from 2015-2017, while the ownership of electric bikes in China will see a stable CAGR of 9.4%.

Driven by favourable policies, the demand for new-energy vehicles and special-purpose electric vehicles has been gradually increasing. In the strategic directive "Industry Development Planning for Energy-saving and New-energy Vehicles Up to 2020" published by the State Council, a target has been set to increase sales of vehicles powered by new energy to more than 5 million units by 2020. Meanwhile, the notice "Made in China 2025" also published by the State Council expressly stated that support will be given to the development of the energy-saving and new-energy vehicle industries. Spurred by favourable policies for new-energy vehicles, as well as the enormous electric bike ownership base and exponential growth of the electric tricycle market, China's demand for battery products is set for fast growth.

On the other hand, stable demand for electric bikes and special-purpose vehicles will drive the ongoing growth of the primary market for lead-acid motive batteries. According to Frost & Sullivan, sales volume of electric bike lead-acid battery in China is expected to grow steadily at a CAGR of 10.1% from 2015 to 2017.

Industry consolidation opportunities driven by government policies

In recent years, several regulatory measures have been implemented, such as the "Entry Requirements of the Lead-acid Battery Industry" (《鉛蓄電池行業准入條件》) ("Entry Requirements"), the "12th Five-Year Plan on the Comprehensive Prevention of Heavy Metal Pollution" (《重金屬污染綜合防治「十二五」規劃》) and "Directive on Promoting the Regular Development of the Lead-acid Battery and Recycled Lead Industries" (《關於促進鉛酸蓄電池和再生鉛產業規範發展的意見》). Government environmental inspections of lead-acid battery businesses nationwide in accordance with the Entry Requirements has further optimised the industry consolidation by eliminating substandard enterprises, resulting in well managed large-scale battery manufacturers gaining more customers.

To enforce the requirements, the Ministry of Industry and Information Technology ("MIIT") and the Ministry of Environmental Protection ("MEP") of the People's Republic of China have continued their inspections of all recycled lead and lead-acid batteries manufacturers during the period under review. Since 2011, the government has continued to eliminate obsolete capacities in the lead-acid battery in industry by conducting environmental inspections and vetting against the Entry Requirements. As a result, around 80% of the enterprises in the industry have been closed down, and the number of lead-acid battery enterprises in China has been reduced from 1,930 in 2012 to over 400 in 2014. As an industry leader which has persisted in the mission to "Advocate Green Energy and Perfect Human Life" with a strong emphasis on technology innovation, the Group has taken up some of the market share subsequently vacated.

The Group was well prepared for the vetting against the Entry Requirements. At the end of 2014, six of the Group's subsidiaries, namely Henan Chaowei Power Co., Ltd. (河南超威電源有限公司), Jiangxi Xinwei Power Technology Co., Ltd. (江西新威動力能源科技有限公司), Jiangsu Yongda Power Co., Ltd. (江蘇永達電源股份有限公司), Shandong Chaowei Power Technology Co., Ltd. (山東超威電源有限公司), Anhui Chaowei Power Co., Ltd. (安徽超威電源有限公司) and Ciyao Branch of Shandong Chaowei Power Co., Ltd. (山東超威電源有限公司磁窯分公司) were included in the approved list of "Enterprises Engaged in Lead-acid Battery Production and Recycling Operations in Compliance with Environmental Protection Laws and Regulations." In particular, Jiangxi Xinwei Power Technology Co., Ltd. (江西新威動力能源科技有限公司) was also named among the first batch of enterprises that fulfilled the Entry Requirements. More than 60% of the Group's subsidiaries have currently passed the official MIIT on site inspection in compliance with the Entry Requirements. The Group is full of confidence that all subsidiaries of the Group will pass the required inspections by the end of 2015.

Moreover, two lists of lead-acid battery enterprises with obsolete and redundant capacities to be eliminated were issued by the MIIT in July and August 2014, respectively. None of the Group's production facilities were included in those lists. The Group's commitment to corporate social responsibility is well-evidenced by its compliance with government regulations, on the back of its outstanding capabilities in environmental control.

Business Development

Industry leader with the highest market share

The Group has consolidated its leading position in the lead-acid battery industry during the period under review with an approximately 42.9% market share for 2014 by enhancing its technology innovation capability, boosting its brand awareness, strengthening the recruitment and grooming of outstanding talent. At the same time, it has achieved gratifying business results and atop the industry in terms of production capacity, production volume, sales volume and revenue. As a benchmark enterprise in the lead-acid battery industry, the Group continues to fulfill public and market expectations through its steadfast efforts.

Persistent innovation to ensure product differentiation

The Group places strong emphasis on the upgrade of product quality and is actively engaged in innovative research and development ("R&D") aimed at achieving breakthroughs in new processes and products while closely tracking market trends, in order to manufacture new products with better quality to fulfill consumer demands and to generate growth through product differentiation. As at 30 June 2015, the Group possessed a total of 999 patents. For the period under review, the research input contributed by the Group was RMB202,141,000, accounting for 2.4% of the total revenue.

In 2014, the Group entered into a framework investment agreement with Akkumulatorenfabrik MOLL GmbH &Co. KG, a German lead-acid motive battery manufacturer to collaborate in the development of start-and-stop automobile batteries. This collaboration made substantial progress during the period under review. Trial production and sales of start-and-stop automobile batteries are scheduled to start in 2016. This partnership also demonstrates the Group's resolution to seize opportunities to develop new products and tap new markets.

During the period under review, the Group has made impressive progress in R&D projects for batteries of special-purpose electric vehicles, storage batteries and lithium-ion batteries. Currently, governments across the globe are actively encouraging the development of new energy-powered automobiles. Specifically, governments across the globe are arranging and making efforts on R&D for promoting the development of pure electric vehicle industries with an aim to develop a higher performance, long-life and safe motive lithium battery system. As a leader and a diligent facilitator in the new energy industry, the Group has initiated lithium-ion battery R&D in early 2010. Unlike most other domestic industrial enterprises which manufacture batteries made of lithium iron phosphate positive electrode material (popularly known as LFP batteries), the Group has been focusing from the outset on the proprietary development of lithium motive batteries made of nickel-cobalt-manganese ternary positive electrode material (popularly known as ternary lithium-ion batteries), which commanded a higher specific energy ratio. In 2012, the said research project received government endorsement and support and was listed as a Specialised Provincial-level Project in Major Technologies of Zhejiang Province with a research grant of RMB10 million. In 2013, Mr. Chen Liquan, Academician of China Academy of Engineering, joined the Group and enhanced the exchange of ideas and interaction with the Group's in-house research team to further accelerate the progress of the said research project. In 2014, the Group successfully developed a ternary lithium-ion battery product with a square-shape aluminium plastic film packing. Compared to batteries packed in metal cases, ternary lithium-ion batteries with aluminium plastic film packaging are more adaptable, lighter and safer. Currently, the specific energy ratio of ternary lithium-ion batteries is significantly higher than hard-case LFP batteries of the similar type, making ternary lithium-ion batteries more suitable for use in pure electrical vehicles with smaller space, with a distinctive competitive edge in extending the endurance mileage. Meanwhile, the Group has imported world-class production equipment from Japan, South Korea and other countries and implemented highly automated controls and large-scale management, resulting in an overall production process passing rate of more than 98%, which is significantly above the industry average. In 2014, the Group's ternary lithium-ion batteries attained safety certification from the national authorities for inspection and testing in preparation for its official market launch. The product has clearly demonstrated the characteristic of offering high performance and sound safety standards at lower costs, showing technical and economic viability for large-scale industrial production. In the same year, Dr. Ke Ke (柯克博士), deputy head of the Group's research institute, was named in the 10th national "Program of One Thousand Talents," the first-ever hi-tech expert from this province to be enlisted in the program. The recruitment of such industry elites has further expanded the scope and capabilities of our R&D in advanced technologies. In March 2015, the new lithium-ion motive battery for electric vehicles developed by the Group has officially commenced mass production, signifying not only its own outstanding progress in the lithium battery segment, but also a milestone in new energy R&D and production and a driver for better and faster development in future. Currently, the Group owns 72 patents in the lithium-ion battery projects and leads the domestic sector with numerous major awards at the provincial or national level, such as the "National Torch Program — Certificate for Exemplary Project for Commercialisation."

Mapping out a path of green development

Green and sustainable development has become an increasingly significant trend in the current world. The Group has mapped out a path of green development through continued R&D with an emphasis on environmentally-friendly production technology. The Group is one of the very few enterprises in China which has successfully adopted the Enclosed Battery Formation Process in large scale production, and is the only lead-acid motive battery manufacturer in China who has fully adopted gel battery technology.

In April 2015, the Group has received official approval from the MEP to commence construction of the National Environmental Protection Lead-acid Battery Production and Recycling Pollution Prevention and Treatment Technology Center. The building of this center marks crucial progress in the Group's efforts to promote ecological recycling for the lead battery industry, and will substantially enhance its pollution treatment technologies and environmental management capabilities.

The Group is striving to achieve both its own economic profitability and the well-being of the environment with this environmentally-friendly initiative. It emphasises the minimisation of energy consumption, pollution and emissions, aiming to realise green, healthy and sustainable development in the long term by effectively implementing a wide range of measures.

Optimising distribution network to enhance brand image

The Group's nationwide sales and distribution network covers both the primary and secondary markets. For the primary market, the Group maintains the cooperation with many top electric bike manufacturers, including Ever Master, Yadea, Bidewen, Lima, etc.

The distribution network of the Group in the secondary market covers the entire country. As of 30 June 2015, independent distributors operating under the "CHILWEE" brand grew to 2,098 at the end of June in 2015, covering the majority of counties in China.

At present, the Group has adopted a refined approach to manage its distributors, with the aim of minimising the intervening layers within sales channels and enhancing the customers' loyalty. The Group also provided technical training and consultancy services to its independent distributors to enhance their technical and management capability. At the same time, the Group has fully optimized its marketing strategies to establish the brand while strengthening customer services. During the period under review, the Group has allocated considerable resources in promoting "CHILWEE" brand outlets and has continued engagement with international movie star Mr. Donnie Yen as its brand spokesperson in order to enhance its brand reputation.

Strategic production plan

The Group has strategically located its production facilities in regions with higher demand for lead-acid motive batteries, including Shandong, Jiangsu, Henan, Zhejiang, Anhui, Jiangxi and Hebei. Through this strategic allocation of production facilities, the Group has been able to more flexibly respond to market dynamics and lock in the target consumer groups to further solidify its market share and customer base. Meanwhile, the Group can reduce costs through effective storage and logistics arrangements, thereby enhancing its profitability.

During the period under review, the Group has continued to upgrade its existing production facilities while completing planned new production lines as part of its strategic planning process. This improvement of production operations would enable it to enhance product quality, minimise loss and stabilise market share, which will benefit the Group's long-term strategic development.

Future Development

Technology is the Group's guide to the future. For new-energy enterprises, firstly mastering the core technologies means a first mover's advantage in the market. Through its unrelenting efforts in technological innovation and scientific development over the years, the Group is well-positioned for greater development given the favourable industry outlook. Looking ahead to the second half year of 2015, the Group will continue to:

1. Strengthen its leading market position by increasing its profits

   For the second half of the year, the Group will continue to adjust its production and sales strategies as and when necessary according to market conditions, with a view to actively strive for further profit growth to ensure more lucrative returns for investors. The Group will pursue new business opportunities and seek more chances for cooperation and mergers and acquisitions in order to enter into potential new markets.

2. Lead the market in advanced technologies and green production

   The Group will continue to focus on technology innovation, allocate greater resources and efforts to R&D and recruit industry elites with cutting-edge expertise and extensive business connections as well as world-class technical personnel with proven experience, in order strengthen its R&D and technology innovation on an ongoing basis. Meanwhile, the Group will continue to contribute to the society by emphasising green and safe production and offering CHILWEE products that are of premium quality, durable, stable, safe and environmentally-friendly.

3. Build a popular brand image

   The Group will continue to extend its distribution network as part of its strategy. Specifically, it will execute a multi-brand and multi-channel strategy to expand the coverage and penetration of the sales network as well as to enhance the brand image of CHILWEE.

The Group is committed to becoming a leading enterprise in the global new energy industry, aiming to "Advocate Green Energy and Perfect Human Life." In the future, the Group will strive to provide better consuming experience to its customers and better returns for its investors.

Financial Review

Revenue

The Group's revenue for the Period amounted to RMB8,390,977,000, representing an increase of 1.0% compared to RMB8,307,577,000 for the same period in 2014. The increase was primarily attributable to the growth of sales amount of electric cars battery and special-purpose electric cars battery.

Gross profit

The Group's gross profit for the Period amounted to RMB1,160,311,000, representing a decrease of 2.6% compared to RMB1,191,743,000 for the same period in 2014. During the Period, gross profit margin decreased from 14.3% to 13.8% primarily because of slight decrease in average selling price of batteries.

Other income

The Group's other income for the Period amounted to RMB58,640,000, representing an increase of about 38.1% compared to RMB42,464,000 for the same period in 2014. The increase was mainly due to the increase in government grants received and interest income during the Period.

Distribution and selling expenses

The Group's distribution and selling expenses for the Period amounted to RMB361,469,000, representing a decrease of approximately 20.4% compared to RMB453,999,000 for the same period in 2014. The decrease was primarily due to the decrease in advertising expenses and transportation expenses.

Administrative expenses

The Group's administrative expenses for the Period were RMB283,122,000 representing an increase of 9.9% compared to RMB257,679,000, for the same period in 2014. The increase was mainly attributable to an increase in depreciation and consulting fees which are in line with the Group's business expansion and increase in number of projects and production bases.

Research and development expenses

Research and development expenses for the Period amounted to RMB202,141,000, which remained largely stable as compared with the amount for the same period last year.

Finance costs

The Group's finance costs for the Period increased by 36.1% from RMB93,991,000 for the corresponding period of 2014 to RMB127,922,000. The increase of finance costs was primarily due to an increase in interest expenses on corporate bonds and long-term bank borrowings.

Profit before taxation

For the above reasons, our profit before tax for the Period increased by 23.3% to RMB260,210,000 (the corresponding period of 2014: RMB211,064,000).

Taxation

The Group's income tax expenses for the Period increased by 29.4% to RMB54,953,000 (for the corresponding period of 2014: RMB42,475,000). The effective tax rate for the Period was 21.1%, which was generally in line with the level of that for the same period last year.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company for the Period amounted to RMB137,232,000, representing an increase of 9.7%, compared to RMB125,130,000 for the same period in 2014.

Liquidity and financial resources

As at 30 June 2015, the Group had net current assets of RMB423,616,000 (31 December 2014: net current liabilities of approximately RMB84,276,000), of which cash and bank deposits were RMB915,403,000 (31 December 2014: RMB1,016,555,000), total borrowings, including bank borrowings, short term financing notes, corporate bonds, obligations under finance leases and convertible bonds, were approximately RMB3,780,086,000 (31 December 2014: approximately RMB3,830,962,000). The borrowings were mainly used to finance capital expenditure, the purchases of raw materials and operations of the Group. They were denominated in RMB or HKD, of which RMB1,416,325,000 bore interests at fixed rates and RMB2,221,814,000 were repayable within one year. The Group adopted centralised financing and treasury policies in order to ensure the funding is utilized efficiently.

As at 30 June 2015, the Group's current ratio (current assets/current liabilities) was 1.1 (31 December 2014: 1.0) and gearing ratio (total borrowings/total assets) was 38.1% (31 December 2014: 40.6%). The Group had sufficient cash and available banking facilities to meet its commitments and working capital requirements. The current cash position has enabled the Group to explore investment and business development opportunities to expand its market share in China.

Exchange rate fluctuation risk

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

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

Human resources and employees' remuneration

As at 30 June 2015, the Group employed a total of 19,139 staff in the PRC and Hong Kong (30 June 2014: 20,636). During the Period, the total staff costs amounted to approximately RMB443,878,000 (30 June 2014: RMB457,532,000). The Group sought to further strengthen staff training by offering focused training programs and study tours to management and professional technical personnel, and disseminating the latest government policy information on the lead-acid motive battery industry to all staff within the Period. The Group continued to strive for the enhancement of professional standards and overall qualities of 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 7 June 2010 (the "Share Option Scheme"), which became effective on 7 July 2010, for the purpose of giving the eligible persons an opportunity to have a personal stake in the Group and motivating them to optimize their future performance and efficiency to the Group and/or to reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and in the case of executives, enabling the Group to attract and retain such individuals with experience and ability and/or to reward them for their past contributions. As at the date of this announcement, the Share Option Scheme has a remaining life of approximately 4 years and 11 months.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at 7 July 2010, being the listing date of the Shares of the Company on the Stock Exchange, being 100,000,000 shares, which represented about 9.76% of the total issued share capital of the Company as at the date of this announcement. No options may be granted to any participant of the Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set those in the Share Option Scheme as the Board may think fit, including the time or period before the right to exercise the option in respect of all or any of the shares shall vest, provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant under the Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a share;

(b) the closing price of a share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date, after which no further options will be granted or offered. No options have been granted under the Share Option Scheme since its adoption to 30 June 2015.

Apart from the foregoing, at no time during the six months ended 30 June 2015 was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in the interests of shareholders. The Company has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Period, except for deviation as stated below.

Code Provision A.2.1 of the Code 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.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company has established an audit committee (the "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 unaudited results of the Group for the six months ended 30 June 2015. The Audit Committee considered that the unaudited consolidated results of the Group for the six months ended 30 June 2015 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made in accordance with Appendix 16 of the Listing Rules in this announcement.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the Period.

GENERAL INFORMATION

The Group's unaudited consolidated financial statements for the Period have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PUBLICATION OF INTERIM REPORT

The full text of the Company's 2015 interim report for the Period 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

Hangzhou, Zhejiang Province, the People's Republic of China, 31 August 2015

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. FANG Jianjun and Mr. NG Chi Kit, the independent non-executive Directors are Mr. WANG Jiqiang, Prof. OUYANG Minggao and Mr. LEE Conway Kong Wai.