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 2017

FINANCIAL HIGHLIGHTS

- Revenue for the Year was approximately RMB24,654 million (2016: approximately RMB21,455 million), representing an increase of approximately 14.9% over last year.
- Gross profit for the Year was approximately RMB2,923 million (2016: approximately RMB2,792 million), representing an increase of approximately 4.7% over last year.
- Profit attributable to the owners of the Company for the Year was approximately RMB455 million (2016: approximately RMB504 million).
- Basic earnings per share for the Year amounted to RMB0.41 (2016: RMB0.48).
- The Board proposed to declare a final dividend of RMB0.062 per share for the Year (2016: RMB0.068), which will be subject to shareholders' approval at the Annual General Meeting, representing a total distribution of approximately RMB68.7 million (2016: approximately RMB75.3 million) for the Year, if approved.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Chaowei Power Holdings Limited (the "Company") is pleased to announce the audited financial results and financial position of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "Year") together with the comparative figures for the year ended 31 December 2016. These financial results have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Revenue	*3*	**24,654,011**	21,454,756
Cost of sales		**(21,731,378)**	(18,663,159)
Gross profit		**2,922,633**	2,791,597
Other income and other gains		**324,982**	159,655
Distribution and selling expenses		**(884,310)**	(813,088)
Administrative expenses		**(546,778)**	(369,169)
Research and development expenses		**(775,849)**	(576,890)
Other expenses and other losses		**(148,857)**	(287,500)
Finance costs	*4*	**(250,636)**	(193,123)
Share of result of associates		**(4,779)**	(6,685)
Share of result of joint ventures		**(767)**	273
Profit before tax	*5*	**635,639**	705,070
Income tax expense	*6*	**(163,755)**	(86,012)
Profit for the year		**471,884**	619,058
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(1,267)**	(1,055)
Profit and total comprehensive income for the year		**470,617**	618,003
Profit for the year attributable to:			
Owners of the Company		**454,816**	503,796
Non-controlling interests		**17,068**	115,262
		471,884	619,058
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**453,549**	502,741
Non-controlling interests		**17,068**	115,262
		470,617	618,003
Earnings per share	*7*		
— Basic (RMB)		**0.41**	0.48
— Diluted (RMB)		**0.41**	0.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,540,191**	4,081,373
Prepaid lease payments		**350,804**	275,858
Investment properties		**42,720**	41,815
Deferred tax assets		**395,507**	353,028
Deposits paid for acquisition of land use rights		**16,000**	–
Deposits paid for acquisition of property, plant and equipment		**131,652**	59,350
Goodwill		**49,447**	49,447
Intangible assets		**327,066**	17,818
Interests in associates		**119,905**	36,015
Loan to associates		**49,095**	12,987
Interests in joint ventures		**195,652**	130,419
Available-for-sale investments		**14,694**	–
Prepayments and other receivables		**11,893**	28,153
Loan receivables		**204,449**	74,210
		6,449,075	5,160,473
CURRENT ASSETS			
Inventories		**2,308,702**	2,315,830
Trade receivables	*9*	**1,941,109**	1,610,574
Bills receivable	*10*	**1,977,677**	1,168,573
Prepayments and other receivables		**1,540,253**	1,292,230
Amounts due from related parties		**198,001**	96,538
Prepaid lease payments		**7,883**	6,128
Loan receivables		**26,663**	199,511
Derivative financial instrument		**391**	18,905
Held for trading investments		**2,321**	2,178
Restricted bank deposits		**1,052,383**	526,778
Bank balances and cash		**1,501,319**	588,439
		10,556,702	7,825,684
CURRENT LIABILITIES			
Trade payables	*11*	**2,293,315**	1,652,039
Bills payable	*12*	**1,041,371**	1,076,491
Other payables and accruals		**1,698,552**	1,455,608
Amounts due to related parties		**13,748**	10,358
Income tax payable		**175,733**	144,467
Obligations under finance leases		**75,000**	100,781
Corporate bonds		**–**	595,287
Warranty provision		**483,167**	543,949
Bank borrowings		**3,193,586**	1,665,025
		8,974,472	7,244,005
NET CURRENT ASSETS		**1,582,230**	581,679
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,031,305**	5,742,152

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)
AT 31 DECEMBER 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
CAPITAL AND RESERVES			
Share capital		**74,961**	74,961
Reserves		**3,597,653**	3,228,003
Equity attributable to owners of the Company		**3,672,614**	3,302,964
Non-controlling interests		**1,014,826**	848,457
TOTAL EQUITY		**4,687,440**	4,151,421
NON-CURRENT LIABILITIES			
Deferred income		**275,050**	249,286
Deferred tax liabilities		**1,848**	1,768
Obligations under finance leases		**–**	74,219
Bank borrowings		**2,008,277**	1,265,458
Corporate bonds		**414,392**	–
Medium-term notes		**644,298**	–
		3,343,865	1,590,731
		8,031,305	5,742,152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL 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 address of the registered office of the Company is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands, and the address of its principal place of business in the People's Republic of China (the "PRC") is No. 12 Zhizhou Road, Xinxing Industrial Park, Zhicheng, Changxing, Zhejiang Province, PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates (the functional currency of the Company and most of its subsidiaries).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs for the first time in the current year:

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12	*As part of the Annual Improvements to IFRSs 2014–2016 Cycle*

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact 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 IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on change in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[4]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[2]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 28	*As part of the Annual Improvements to IFRS Standards 2014-2016* Cycle[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015-2017 Cycle*[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

Except for the new and revised IFRSs and Interpretations mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are the relevant to the Group:

- all recognised financial assets that are within the scope of IFRS 9 are required 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at the end of subsequent accounting 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 nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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. Under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement

- Bills receivable are held within a business model whose objective is achieved by both collecting contractual cash flows and endorsing the bills receivable to suppliers or discounting to banks, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly bills receivable will be subsequently measured at FVTOCI upon the application of IFRS 9, with the fair value gains or losses accumulated in reserve subsequently reclassified to profit or loss upon derecognition. However, the Directors do not anticipate this will have a material impact on the amounts recognised in other comprehensive income as the fair value of bills receivable is close to its carrying amounts given all bills receivable will mature within one year.

- Equity securities classified as available-for-sale investments carried at cost less impairment: these securities qualified for designation as measured at FVTOCI under IFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses recognised as other comprehensive income and accumulated in the investments revaluation reserve, which will not be subsequently reclassified to profit or loss.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs upon application of IFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would not be significantly increased as compared to the accumulated amount recognised under IAS 39.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the International Accounting Standards Board ("IASB") issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flow. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB10,260,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sales of lead-acid motive batteries and other related items. The Group's revenue primarily 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 ("CODM") in order to allocate resources to segments and to assess their performance. The information reported to the executive Directors of the Company, who are the Group's CODM 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 CODM.

Most of the external revenues of the Group during the year are from customers established in the PRC, the place of domicile of the Group's operating entities. Most of the Group's non-current assets are 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:

	2017	2016
	RMB'000	*RMB'000*
Lead-acid motive batteries		
Electric bike battery	**18,100,485**	15,507,058
Electric vehicle battery and special-purpose electric vehicle battery	**4,491,602**	3,791,789
Li-ion batteries	**231,763**	329,488
Materials include lead and active additives	**1,830,161**	1,826,421
	24,654,011	21,454,756

4. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings	**179,036**	120,400
Short term financing notes	**28,146**	–
Corporate bonds	**42,087**	49,845
Medium-term notes	**10,577**	–
Finance lease	**10,275**	7,860
Convertible bonds *(Note i)*	**–**	23,239
Total borrowing costs	**270,121**	201,344
Less: amounts capitalised in construction in progress	**(19,485)**	(8,221)
	250,636	193,123

Notes:

(i) All outstanding convertible bonds had been fully converted in 2016.

(ii) Borrowing costs capitalised during the year ended 31 December 2017 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.66% per annum (2016: 4.63% per annum) to expenditure on qualifying assets.

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2017 *RMB'000*	2016 *RMB'000*
Salaries and other benefits costs	**964,647**	865,229
Retirement benefits scheme contributions	**39,007**	32,541
Labour cost *(Note i)*	**198,965**	215,191
Total staff costs (including directors' emoluments)	**1,202,619**	1,112,961
Capitalised in inventories	**(801,147)**	(621,373)
	401,472	491,588
Cost of inventories recognised as expense	**21,491,406**	17,562,548
(Reversal of)/allowance for inventories (included in cost of sales)	**(187)**	6,807
Allowance for loan receivables	**8,350**	–
Prepaid lease payments released to profit or loss	**6,928**	5,800
Auditors' remuneration	**7,153**	6,672
Amortisation of intangible assets	**17,162**	2,376
Depreciation of property, plant and equipment	**386,330**	348,646
Total depreciation and amortisation	**403,492**	351,022
Capitalised in inventories	**(283,148)**	(262,914)
	120,344	88,108
Depreciation of investment properties	**2,815**	2,212
Rental income from investment properties	**4,403**	1,465
Direct operating expenses arising from investment properties generate income	**2,080**	1,335
Direct operating expenses arising from investment properties not generate income	**14**	24

Notes:

(i) The Group has entered into labour dispatch agreements with several service organisations which have provided labour service to the Group.

(ii) Certain staff costs and related expenses which are directly related to managing the Group's manufacturing processes previously included in administrative expenses have been re-presented as cost of sales. The reclassification has had no material effect to the consolidated financial statements.

6. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
The charge comprises:		
PRC current income tax	**206,154**	176,038
Deferred tax	**(42,399)**	(90,026)
	163,755	86,012

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%. 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 2017, withholding tax on intra-group dividend amounting to RMB18,280,702 (year ended 31 December 2016: RMB7,947,368) 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 is subject to income tax at a preferential tax rate of 15%. The following subsidiaries of the Company were recognised as New and High Technical Enterprises in accordance with the applicable EIT Law of the PRC and are subject to income tax at a tax rate of 15% for the respective years set out below:

江蘇超威電源有限公司 (Jiangsu Chaowei Power Co., Ltd.)	2016 to 2018
江西新威動力能源科技有限公司 (Jiangxi Xinwei Power Technology Co., Ltd.)	2016 to 2018
山東超威電源有限公司 (Shandong Chaowei Power Co., Ltd.)	2016 to 2018
浙江長興金太陽電源有限公司 (Zhejiang Changxing Jintaiyang Power Co., Ltd.)	2016 to 2018
浙江超威創元實業有限公司 (Zhejiang Chaowei Chuangyuan Industrial Co., Ltd.)	2016 to 2018
江蘇永達電源股份有限公司 (Jiangsu Yongda Power Co., Ltd.)	2016 to 2018
安徽永恒動力科技有限公司 (Anhui Yongheng Power Technology Co., Ltd.)	2017 to 2019
超威電源有限公司 (Chaowei Power Co., Ltd.)	2017 to 2019
河南超威電源有限公司 (Henan Chaowei Power Co., Ltd.)	2017 to 2019
安徽超威電源有限公司 (Anhui Chaowei Power Co., Ltd.)	2015 to 2017

Other subsidiaries established in the PRC were subject to income tax rate of 25% for the year ended 31 December 2017 (2016: 25%). The Company and its subsidiaries incorporated in the British Virgin Islands (the "BVI"), Germany, Hong Kong and other countries had no assessable profits during the year (2016: nil).

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:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**454,816**	503,796
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**–**	23,239
Earnings for the purpose of diluted earnings per share	**454,816**	527,035

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,107,912**	1,043,091
Effect of dilutive potential ordinary shares:		
Convertible loan notes	**–**	64,821
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,107,912**	1,107,912

Note: All outstanding convertible bonds have been fully converted in 2016. For the year ended 31 December 2017, as the Group had no potential ordinary shares in issue, there was no dilutive impact.

8. DIVIDEND

	2017	2016
	RMB'000	*RMB'000*
Dividends declared for distribution during the year:		
2016 final dividend — RMB0.068 per share (2015 final dividend — RMB0.097 per share)	**75,338**	99,385

A final dividend of RMB0.062 per share in respect of the year ended 31 December 2017 has been proposed by the Directors and is subject to the approval by the shareholders in the forthcoming annual general meeting (the "Annual General Meeting").

9. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**2,146,801**	1,755,565
Less: allowance for doubtful debts	**(205,692)**	(144,991)
	1,941,109	1,610,574

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:

	2017	2016
	RMB'000	*RMB'000*
0–15 days	**670,034**	506,571
16–90 days	**442,068**	800,019
91–180 days	**385,734**	159,170
181–365 days	**425,831**	97,037
Over 1 year	**17,442**	47,777
	1,941,109	1,610,574

Before accepting any new customer, the Group internally assesses 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:

	2017	2016
	RMB'000	*RMB'000*
16–90 days	**442,068**	800,019
91–180 days	**385,734**	159,170
181–365 days	**425,831**	97,037
Over 1 year	**17,442**	47,777
	1,271,075	1,104,003

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:

	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**144,991**	68,558
Provided for the year	**82,679**	76,433
Written off during the year	**(21,978)**	–
At end of the year	**205,692**	144,991

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 believe that no further allowance is required.

10. BILLS RECEIVABLE

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

	2017	2016
	RMB'000	*RMB'000*
0–90 days	**1,009,560**	484,830
91–180 days	**968,117**	683,743
	1,977,677	1,168,573

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 goods receipt date.

Included in the balance of trade payables as at 31 December 2017 of RMB232,288,000 (31 December 2016: RMB168,264,000) 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 goods receipt date at the end of the reporting period is as follows:

	2017	2016
	RMB'000	*RMB'000*
0–30 days	**1,119,268**	867,674
31–90 days	**512,613**	301,636
91–180 days	**533,133**	381,262
181–365 days	**56,913**	54,828
1–2 years	**57,400**	28,025
Over 2 years	**13,988**	18,614
	2,293,315	1,652,039

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:

	2017	2016
	RMB'000	*RMB'000*
0–90 days	**426,474**	427,783
91–180 days	**614,897**	648,708
	1,041,371	1,076,491

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, I am pleased to present to shareholders the annual results of the Group for the Year.

In 2017, the Group delivered satisfactory results, in particular:

- Revenue of the Group maintained steady growth and reached approximately RMB24,654 million.

- The Group sustained leadership in the industry as evidenced in it ranking first in the battery industry for the fifth consecutive year on the lists of "Top 500 Enterprises of China (中國企業500強)", "Top 500 Enterprises of China's Manufacturing Industry (中國製造業企業500強)" and "Top 100 Enterprises of China Light Industry (中國輕工業百強企業)". In addition, it was among the 2017 "Fortune Top 500 Chinese Companies (《財富》中國500強)" and "Top 500 Chinese Private-Owned Enterprises (中國民營企業500強)" in the Year. Also, having been selected as eligible stock to Shenzhen Stock Connect, a testament to its investment value, the Group has attracted much attention in the capital market.

- The Group maintained its industry-leading technological strengths and was accredited as a "National Model Enterprise of Technology Innovation (國家技術創新示範企業)" and "National Model Enterprise of Intellectual Property (國家知識產權示範企業)".

The results of the Group for the Year above were mainly attributable to the following factors:

I. Strong economic growth and consumption upgrade in the PRC boosted demand upgrade

The PRC's gross domestic product (GDP) rose by 6.9% in 2017, a reverse of the downward trend for the first time since 2011 and indicating of accelerating growth. As society develops, urbanization going at full steam, transportation networks keep improving and consumption expenditure per capita increases in the PRC, market demand for all kinds of electric vehicles will continue to grow steadily.

II. Overall profitability stayed stable along with positive industrial development

With the PRC government continuing to raise environmental protection standards and tighten regulations on the lead-acid battery market over the past few years, the entry barrier to the industry has heightened, offering new opportunities for development in the industry. The benefit of favorable policies over the past few years and the policies in relation to new energy vehicles announced are going to set the new energy vehicle industry in good order, and that plus adjustments made by the industry itself will see the new energy vehicle market consolidate and ultimately improve the profitability of the industry in the future.

III. Diversified product mix to respond to the needs for market development

During the Year, the Group promptly seized market opportunities by adopting the diversification strategy, as well as enriching its product series and optimizing its product mix. For instance, the Group launched the "CHILWEE" Black Gold Series High-energy Value-regulated Lead-acid (VRLA) Battery (the "BG Battery") in 2016, which was the first successful attempt by an industry player to apply graphene technology in a commercially-viable, mass-produced lead-acid battery. Since the launch of the BG Battery, it has received positive response from customers and market recognition for its performance and energy efficiency, reflected in the sales volume of the battery.

As for the development of lithium-ion battery, the Group has focused on production quality and endeavored to enhance the technical level of the battery. With the persistence of innovation in technology, the Group obtained for its lithium-ion battery products more than 180 patents, and thus enhanced the excellent safety when in use and specific energy of the products. As a result, the product has been granted a number of professional certificates, such as the "National Torch Program — Certificate for Exemplary Project for Commercialization (國家火炬計劃產業化示範項目證書)".

IV. Focused on production quality and enhancement of technological capability

The Group believes putting out quality products is the best strategy for consolidating market share. Thus, it has been committed to technological innovation and research supported by its well-established research and development ("R&D") system as well as outstanding technologies, to help it improve the quality of its existing products, while achieving results in R&D of patent-worthy state-of-the-art technologies.

The Group has been moving forward with innovation as its engine and technological research powering its ability to innovate. The Group has set up various technological innovation platforms, including a nationally-recognized technology center, a nationally-accredited laboratory, and a national environmental protection engineering technology center as well as a provincial key research institute. Moreover, the Group has established an overseas research institute in Germany. As at 31 December 2017, the Group owned a total of 1,484 patents and had 423 patent applications pending approval, and the patent application for the core technology of the BG Battery was making good progress.

Moreover, as one of the largest suppliers of professional green energy solutions in the PRC, the Group adheres to the environmentally-friendly development guidelines under the 13th Five-Year Plan for the National Economic and Social Development (the "13th Five-Year-Plan") and the reform plan for promoting eco-civilization system set out in the report of the 19th National Congress of the Communist Party of China (the "19th CPC National Congress Report"), and also upholds the environmental protection principle of "minimizing energy consumption, pollution and emissions", as it is determined to become a role model in "resource conservation and environmental protection" and promote the Group as the top green energy brand in the PRC.

The Group took the lead to develop the cadmium-free enclosed battery formation process (the "Cadmium-free Enclosed Battery Formation Process") and has become one of only a few domestic enterprises to have successfully adopted the Cadmium-free Enclosed Battery Formation Process in production.

V. Expanded distribution network to bolster brand value

During the Year, the Group strategically established a nationwide sales and distribution network to help it expand primary and secondary markets. In the primary market, the Group maintained cooperation with a number of top electric vehicle manufacturers, including Evermaster, Yadea, Lima, Bidewen and Luyuan. And, for the secondary market, the Group increased the number of independent distributors to 2,341.

The Group has adopted a flat and refined approach in managing its distributors. It launched a more market-driven agency mechanism, removing intervening intermediaries in sales channels and that had won for its greater loyalty from end-distributors, and in turn the competitiveness of the "CHILWEE" brand was boosted.

Looking forward, having the leverage of favorable policies implemented by the PRC government and with urbanization progressing in good pace, plus the industry consolidating and new energy electric vehicle market developing, the battery industry can expect to see solid and healthy growth in the future. The Group will closely monitor market dynamics and seize arising opportunities by adjusting flexibly its production and sales strategies, as well as refining development plan and its sales network so as to achieve business expansion. In addition, the Group will seek to enhance its brand value by focusing on technological innovation, undertaking in-depth research in technology, nurturing industry talent and helping to improve the new energy industrial chain.

In the year, at the call to action for green development by the PRC government, the Group, as the role model in the battery industry, responded by enhancing production quality and technological capability and pursuing excellence in innovation, and as a result, it turned market opportunities into impressive performance.

On behalf of the Group, I would like to express my gratitude to our shareholders, customers and business partners for their long-time support and faith in the Group. I would also like to thank the Board, the management team and our staff for their remarkable contribution to the Group. With the community giving us attention and encouragement and the diligence and wisdom of our staff, the Group will push forward with resolve to capture opportunities to achieve greater success in 2018.

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 in electric bikes, electric vehicles and special purpose electric vehicles. Armed with a wide range of advanced technologies and R&D capability, the Group has successfully expanded its business to cover manufacturing and sale of, among others, start-and-stop battery for automobiles.

During the Year, the Group achieved satisfactory performance. With leading production technologies, strong brand positioning and a highly-effective distribution network, the Group maintained a leading position in the industry. Attaching great importance to enhancement of R&D of technologies, the Group continued to exchange and cooperate with top international companies in production techniques during the Year. In addition, to meet new demands bred by changes in the market and society, the Group expanded the scope of its business and product offerings, adding batteries that afford better performance.

Business Review

I. Diversified plan for development in the battery industry

During the Year, the Group was able to promptly seize market opportunities via cooperating and developing jointly with international top experts in various disciplines to enrich its product mix. In addition, the Group achieved breakthroughs and effectively responded to market demands by implementing thoroughly a diversified strategic plan to develop lead-acid motive batteries, the BG Battery, lithium-ion batteries and start-and-stop batteries.

Lead-acid motive battery, the Group's major product, maintained its industry leadership and achieved stable sales. In the Year, sales of lead-acid motive batteries of the Group amounted to approximately RMB22,592 million, representing a year-on-year increase of approximately 17.1%.

The Group launched the BG Battery in 2016, which was the first successful attempt by an industry player at applying graphene technology into a commercially-viable, mass produced lead-acid battery. Since it was launched, the BG Battery has received positive response from customers and market recognition for its performance and energy efficiency, which is reflected in the sales volume of the battery.

As for the development of lithium-ion battery, the Group has adopted a pouch-type technique in manufacturing lithium-ion batteries, giving them excellent performance, high safety-in-use and specific energy, conducive to lightweight development and increase in boost range of the batteries. During the Year, the Group focused on enhancing both the technical level and production capacity of lithium-ion batteries and obtained more than 180 patents and professional certificates, such as the "National Torch Program — Certificate for Exemplary Project for Commercialization (國家火炬計劃產業化示範項目證書)", for its products and in honor of its hard work. In the Year, the sales of the lithium-ion battery products amounted to approximately RMB232 million.

The commercial production of start-and-stop battery products, co-developed by the Group and the German battery manufacturer Akkumulatorenfabrik MOLL GmbH & Co. KG, commenced in the fourth quarter of 2016.

II. **Further consolidated industry position**

For the year ended 31 December 2017, the Group recorded revenue of approximately RMB24,654 million, representing a year-on-year increase of approximately 14.9%. Profit attributable to owners of the Company was approximately RMB455 million, and overall gross margin was approximately 11.9%.

The Group enjoys an industry position well-recognized by the PRC government and its peers as evidenced in it ranking first in the battery industry for five consecutive years on the lists of "Top 500 Chinese Enterprises (中國企業500強)", "Top 500 Enterprises of China's Manufacturing Industry (中國製造業企業500強)" and "Top 100 Enterprises of China Light Industry (中國輕工業百強企業)". In addition, the Group made it among the 2017 "Fortune Top 500 Chinese Companies (《財富》中國500強)" and "Top 500 Chinese Private-Owned Enterprises (中國民營企業500強)". And, in March 2017, it was selected as eligible stock to Shenzhen Stock Connect, attracting much attention in the capital market and speaking volumes to its investment value.

III. **Advanced technology and innovation and built a team of top talent**

Innovation has been the Group's core competitive strength. Thus, to ensure of its stay competitive, the Group attaches utmost importance to technological research. In the Year, the R&D expenses of the Group amounted to approximately RMB776 million, approximately 3.1% of the Group's total revenue. As at 31 December 2017, the Group owned a total of 1,484 patents and had 423 patent applications pending approval, while the patent application for the core technology of the BG Battery progressed in good strides.

Regarding its talent pool, the Group is committed to building a team of top talent in R&D by recruiting professionals, who can help it maintain technological leadership in the industry. The Group has been actively bringing into the Company world-class talent in the industry these past few years. As at 31 December 2017, the Group had in its team more than 20 reputed domestic and foreign experts, 3 of whom were brought in via the "Program of One Thousand Talent (千人計劃)". In addition, named a National Model Enterprise of Technology Innovation (國家技術創新示範企業) and National Model Enterprise of Intellectual Property (國家知識產權示範企業), the Group offers various technological innovation platforms, including a nationally-recognized technology center, a nationally-accredited laboratory, and a national environmental protection engineering technology center, as well as a provincial key research institute, an academic work station and a post-doctoral research work station. It has also established an overseas research institute in Germany.

IV. **Strategically expanded distribution network to boost brand value**

The Group has a nationwide sales and distribution network covering all primary and secondary markets. For the primary market, the Group maintains cooperation with a number of top electric bike manufacturers, including respected brands as Yadea, Lima, Evermaster, Bidewen and Luyuan. In the secondary market, the Group has the support of a total of 2,341 independent distributors.

The production facilities of the Group are strategically located in regions with higher demand for lead-acid motive batteries, including Zhejiang, Henan, Jiangsu, Anhui, Shandong, Jiangxi and Hebei Provinces etc. The strategic deployment of production facilities not only gives the Group easy access to and flexibility in developing its markets, but also allows it to save storage and logistics costs, operate at high efficiency, and ultimately boost profitability.

The Group adopts a flat and refined approach in managing its distributors. It has launched a more market-driven agency mechanism, removing intermediates in sales channels, and as a result enhanced the competitiveness of its brand. The Group continued to engage the renowned movie star Mr. Donnie Yen as spokesperson to help strengthen the "CHILWEE" brand reputation and boost brand influence, thereby earn the trust and preference of customers.

V. **Promoted green energy as an industry role model**

As one of the largest suppliers of professional green energy solutions in the PRC, the Group's mission and vision has always been to "Advocate Green Energy, Perfect Human Life" and "to become a global new energy company capable of creating good value". The Group upholds the environmental protection principle of "minimizing energy consumption, pollution and emissions" and is determined to become a role model dedicated to "resource conservation and environmental protection", thereby promoting as the top green energy brand in the PRC.

The Group has led in the development of the Cadmium-free Enclosed Battery Formation Process and is one of the very few domestic enterprises which have successfully adopted the Cadmium-free Enclosed Battery Formation Process in production. Total cadmium-free production was achieved by the Group by 2013. To fulfill its commitment to and promote "Green Production", the Group has equipped its newly established plants with advanced emission-control equipment. This industry-leading practice has seen an increase in reliance on the application of the Cadmium-free Enclosed Battery Formation Process in lead-acid battery production across the industry. In addition, the Group has been active in promoting recycling of used batteries and pioneered a lead recycling project called "Atom Economy Method (原子經濟法)". By converting used lead-acid batteries into directly-usable lead powder through a chemical process under the project, the Group has achieved a recycling rate of approximately 99% for lead and reduced emission of smoke and dust, and sewage and exhaust gas, setting the benchmark for the production of lead-acid batteries and the renewable energy industry.

During the Year, Chaowei Power Co., Ltd. and Shandong Chaowei Power Co., Ltd., subsidiaries of the Group, were named among the "First Batch Exemplary Green Manufacturers 2017" by the Ministry of Industry and Information Technology of the PRC ("MIIT"), recognizing their efforts to stay at the forefront of the battery industry.

Outlook

I. **Electric vehicle market has highly attractive growth prospects**

Electric bikes, electric tricycles and mini electric vehicles have become important daily means of transportation in third and fourth tier cities and in rural areas in the PRC. Changes in the society, urbanization picking up pace, transportation network constantly improving and increasing consumption expenditure per capita in the PRC have all helped keep market demand for all kinds of electric vehicles on to the steady growth trend. The increase in demand for electric vehicles will certainly drive the production and sales of battery products.

II. **New energy vehicles bring new opportunities**

The PRC government has implemented a new policy with regard to new energy vehicles to promote healthy development of the new energy vehicle industry. The joint announcement dated 27 December 2017 issued by the Ministry of Finance ("MOF"), the State Administration of Taxation, MIIT and the Ministry of Science and Technology ("MST") of the PRC stated that, between 2018 and 2020, all buyers of eligible new energy vehicles are entitled to a tax exemption on purchase of new energy vehicles. The tax exemption may ensure the lower taxation cost on purchase of a new energy vehicle relative to a conventional vehicle, despite the reduction of government subsidy for new energy vehicles. Pursuant to the "Notice on Adjusting and Improving the Policy of Financial Subsidy for the Promotion and Application of New Energy Vehicles (《關於調整完善新能源汽車推廣應用財政補貼政策的通知》)" jointly released by MOF, MIIT, MST and the National Development and Reform Commission of the PRC on 12 February 2018, the financial subsidy threshold for new energy vehicles will be adjusted and optimized based on changes in costs, and the financial subsidy threshold for new energy buses and new energy special vehicles will be reduced reasonably. The above policies will encourage the production of new energy vehicles, optimize the structure of the new energy vehicles industry, enhance technical standards of the industry and strengthen its core competitiveness, and ultimately foster strategic development of the new energy vehicles. And, it is clear that the advancement and continuous improvement of the new energy vehicle industry will take the development of battery industry to the next level.

III. **Tap the rapidly and continuously expanding lead-acid battery market**

With merits in cryotolerance, safety, high price-performance ratio and recyclability, the lead-acid battery is widely applied in, among others, hybrid electric vehicles, electric vehicles and electric bikes, topping the list of all types of battery. In addition, while the demand for electric vehicles has remained stable, users of such as electric bikes and special-purpose electric vehicles are required to replace the lead-acid motive batteries in their vehicles within a specific timeframe. Such developments are favorable to the continuous and steady growth in sales volume of lead-acid motive batteries. According to a report of the market research company Frost & Sullivan, steady growth is expected between 2016 and 2021 for the sales volume of lead-acid batteries for electric bikes in the PRC at a projected compound annual growth rate (CAGR) of approximately 5.4%.

Thanks to steady growth in lead-acid battery industry, the PRC has become the largest lead-acid battery producer, exporter and consumer in the world. And, to strengthen regulation of the lead-acid battery market, the PRC government has kept tightening environmental standards and, as such, the entry barrier to the industry has also been rising continually. The "Regulatory Standards of Lead-acid Battery Industry (2015 Edition)" (《鉛蓄電池行業規範條件(2015年本)》) was announced and has been implemented. According to the environmentally-friendly development guidelines in the 13th Five-Year Plan and the reform plan for promoting eco-civilization system in the 19th CPC National Congress Report, continuing effort to eliminate obsolete capacity has seen the lead-acid battery industry assuming a healthier structure. Regulatory policies of the PRC government and adjustment of the industry itself have facilitated market consolidation, and accordingly the industry's profitability is expected to increase in the future.

Development Strategies

In the Year, consolidation and structural optimization of the industry continued. Looking ahead, as one of the leading enterprises in the battery industry, the Group, with its integrated strength, will enhance the competitiveness of a number of its segments, from motive batteries and motive systems to electric vehicles, and also from storage batteries and energy storage stations to energy storage systems. In addition to aiming for solid expansion of existing businesses by strengthening its technology and R&D capability continuously, the Group will push to diversify its business scope and explore new growth drivers. In 2018, the Group will continue to implement the following development strategies:

I. **Consistently enhance competitiveness and explore new growth drivers**

The Group will continue to seize opportunities presented by favorable policies of the PRC government to fortify its businesses. It will enhance the competitiveness of its series of high-quality differentiated products and strengthen its market leadership by improving production processes and product quality, as well as optimizing product mix. At the same time, the Group will closely monitor market situations, timely adjust its production and sales strategy, if necessary, and actively seek high-quality business opportunities to the end of generating better returns to investors.

II. **Strengthen technological capability and take up responsibility for environmental protection**

The Group will remain steadfast in implementing its technology-driven strategy for development and launching patented technologies and capitalizing on its advanced technological achievements to unearth new growth drivers. In addition, the Group will always remember to fulfill its industrial, social and environmental responsibilities heeding related government policies. Adhering to its environmental protection philosophy of "minimizing consumption of resources, pollution and emissions" and applying the concept of "innovation, integration and green" in the entire product life cycle, the Group will push to realize harmonious coexistence of all stakeholders of its operations, build a mutually beneficial relationship between the enterprise and the society and minimize the impact of its operations on the environment.

III. **Expand sales network and enhance soft power of the brand**

The Group will continue to improve its distribution network by adopting a strategic production master plan and cooperating with business partners. It will closely track market trends that it may identify and attract target consumers effectively. At the same time, the Group will broaden its marketing strategy to cover brand building on top of channel expansion, so as to enhance the soft power of the "CHILWEE" brand, building it into a renowned and respected battery brand that offers high added value.

The Group will stay true to its strategic objective of "maintaining leadership in talent and technology, product quality and cost controls as well as branding", with the aim of realizing its aspiration to become the exemplary player in the industry who can "influence technical development and set production standards".

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately RMB24,654,011,000 in 2017, increased by approximately 14.9% over approximately RMB21,454,756,000 for 2016, which was primarily attributable to the growth in sales amount of electric bike batteries, electric vehicle batteries and special-purpose electric cars batteries.

Gross profit

The Group's gross profit amounted to approximately RMB2,922,633,000 in 2017, representing an increase of approximately 4.7% over approximately RMB2,791,597,000 for 2016. The gross profit margin in 2017 was approximately 11.9% (2016: approximately 13.0%) and the decrease in gross profit margin was mainly due to the increase in lead prices.

Other income and other gains

The Group's other income and other gains amounted to approximately RMB324,982,000 in 2017, representing an increase of approximately 103.6% from approximately RMB159,655,000 in 2016, which was mainly due to increase in government grants.

Distribution and selling expenses

The Group's distribution and selling expenses amounted to approximately RMB884,310,000 in 2017, representing an increase of approximately 8.8% from approximately RMB813,088,000 for 2016, which was primarily attributable to increase in after-sales service expenses and transportation costs in 2017. For 2017, the distribution and selling expenses as a percentage of revenue were approximately 3.6% (2016: approximately 3.8%).

Administrative expenses

The Group's administrative expenses were approximately RMB546,778,000 in 2017, representing an increase of approximately 48.1% over approximately RMB369,169,000 for 2016, which was primarily attributable to increases in staff expenses and professional fees in 2017. The increase in administrative expenses was in line with the Group's business expansion.

Research and development expenses

R&D expenses amounted to approximately RMB775,849,000 in 2017, representing an increase of approximately 34.5% over approximately RMB576,890,000 for 2016, which was primarily attributable to increases in costs of research materials and R&D staff costs as a result of a greater number of R&D projects being undertaken, including R&D in new products.

Finance costs

The Group's finance costs increased by approximately 29.8% from approximately RMB193,123,000 for 2016 to approximately RMB250,636,000 for 2017. The increase in finance costs was primarily due to an increase in interest expenses on bank borrowings, short term financing notes and medium-term notes.

Profit before tax

For the above reasons, the Group's profit before tax decreased by approximately 9.8% to approximately RMB635,639,000 in 2017 (2016: approximately RMB705,070,000).

Taxation

The Group's income tax expenses increased by approximately 90.4% to approximately RMB163,755,000 in 2017 (2016: approximately RMB86,012,000). The effective tax rate of approximately 25.8% in 2017 (2016: approximately 12.2%) was mainly due to tax effect of certain subsidiaries tax losses that were not recogised.

Profit attributable to owners of the Company

In 2017, profit attributable to owners of the Company amounted to approximately RMB454,816,000. Profit attributable to owners of the Company for 2016 was approximately RMB503,796,000.

Liquidity and financial resources

As at 31 December 2017, the Group had net current assets of approximately RMB1,582,230,000 (31 December 2016: net current assets of approximately RMB581,679,000). Cash and bank balances were approximately RMB1,501,319,000 (31 December 2016: approximately RMB588,439,000). Net debts, including bank borrowings, corporate bonds, obligation under finance leases, medium-term notes and deducting cash and bank deposits, were approximately RMB3,781,851,000 (31 December 2016: approximately RMB2,585,553,000), which were mainly used to finance the capital expenditure and daily working capital of the Group. They were denominated in RMB, EUR or HKD, of which approximately RMB3,657,867,000 bore interest at fixed rates and approximately RMB3,193,586,000 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 it monitors its interest rate risks in a conservative manner.

As at 31 December 2017, the Group's current ratio (current assets/current liabilities) was 1.18 (31 December 2016: 1.08) and gearing ratio (net debts/total assets) was approximately 22.2% (31 December 2016: approximately 19.9%). The Group has sufficient cash and available banking facilities to meet its commitments and working capital requirements. This strong cash position enables the Group to explore potential investment and potential business development opportunities to expand its domestic market share.

Exchange rate fluctuation risk

As the Group's operations are mainly conducted in the PRC and the majority of the sales and purchases are transacted in RMB, 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 had contingent liabilities amounting to RMB8,000,000 as at 31 December 2017 (31 December 2016: 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:

	2017	2016
	RMB'000	*RMB'000*
Buildings	**600,056**	410,621
Land use rights	**212,408**	28,301
Plant and machinery	**255,283**	–
Bills receivable	**1,005,960**	811,109
Restricted bank deposits	**1,052,383**	526,778

Capital commitments

	2017	2016
	RMB'000	*RMB'000*
Contracted but not provided for		
– acquisition of property, plant and equipment	**142,204**	245,647
– acquisition of intangible asset	**7,803**	–
– capital contribution to associates	**39,028**	19,000
– capital contribution to a joint venture	**12,800**	–

Human resources and employees' remuneration

As at 31 December 2017, the Group employed a total of 18,215 (31 December 2016: 18,705) staff members in the PRC and Hong Kong.

During the Year, the total cost of employees amounted to approximately RMB1,202,619,000. 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 information of government policy on the lead-acid motive battery industry to 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.

Significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year, nor was there any plan authorized by the Board for other material investments or additions of capital assets at the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the Year, 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 2 years and 4 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 9.03% 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 Rules Governing the Listing of Securities on the Stock Exchange (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 31 December 2017.

Apart from the foregoing, at no time during the Year was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

CORPORATE GOVERNANCE PRACTICES

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 Listing Rules throughout the Year, except for the deviation as stated below.

Code Provision A.2.1 of the Code requires the roles of chairman of the Board 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 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.

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, risk management and internal control system. The Audit Committee comprises all four independent non-executive Directors 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. The Audit Committee considered that the consolidated results of the Group for the Year 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the "Register of Members") will be closed from 25 June 2018 to 28 June 2018 (both days inclusive), for the purpose of determining shareholders' entitlement to attend 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, the 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, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 22 June 2018.

The Board has resolved to recommend the payment of a final dividend of RMB0.062 per share for shareholders whose names appear on the Register of Members on 9 July 2018. The Register of Members will be closed from 5 July 2018 to 9 July 2018, both days inclusive, and the proposed final dividend is expected to be paid on 19 July 2018. 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 by 28 June 2018. In order to be qualified for the proposed final 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, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 4 July 2018.

PUBLICATION OF ANNUAL REPORT

The full text of the Company's 2017 annual report will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chaowei.com.hk), respectively in due course.

APPRECIATION

The future robust development of the Group hinges on the full support of its shareholders, customers and business partners as well as the dedicated commitment and hard work of our staff. The Board would also like to take this opportunity to express its sincere gratitude to them. The Group intends to continue its concerted efforts to advance its business development to new heights while bringing lucrative returns to the supporters of the Group.

By order of the Board
Chaowei Power Holdings Limited
Zhou Mingming
Chairman and Chief Executive Officer

Hong Kong, 25 March 2018

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