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 2016

FINANCIAL HIGHLIGHTS

- Revenue for the Year was approximately RMB21,455 million (2015: RMB18,870 million), representing an increase of approximately 13.7% over last year.
- Gross profit for the Year was approximately RMB3,086 million (2015: RMB2,410 million), representing an increase of approximately 28.1% over last year.
- Profit attributable to the owners of the Company for the Year was approximately RMB504 million (2015: RMB332 million).
- Basic earnings per share for the Year amounted to RMB0.48 (2015: RMB0.33).
- The Board proposed to declare a final dividend of RMB0.068 per share for the Year (2015: RMB0.097), which will be subject to shareholders' approval at the Annual General Meeting, representing a total distribution of RMB75.3 million (2015: RMB99.4 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 2016 (the "Year") together with the comparative figures for the year ended 31 December 2015. 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 2016

	Notes	**2016** **RMB'000**	2015 RMB'000
Revenue	3	**21,454,756**	18,870,205
Cost of sales		**(18,369,075)**	(16,460,540)
Gross profit		**3,085,681**	2,409,665
Other income and other gains		**159,655**	313,167
Distribution and selling expenses		**(813,088)**	(798,063)
Administrative expenses		**(663,253)**	(588,620)
Research and development expenses		**(576,890)**	(475,188)
Other expenses and other losses		**(287,500)**	(88,219)
Finance costs	4	**(193,123)**	(223,837)
Share of result of associates		**(6,685)**	(3,679)
Share of result of joint ventures		**273**	646
Profit before tax	5	**705,070**	545,872
Income tax expense	6	**(86,012)**	(57,866)
Profit for the year		**619,058**	488,006
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(1,055)**	(1,023)
Profit and total comprehensive income for the year		**618,003**	486,983
Profit attributable to:			
Owners of the Company		**503,796**	331,669
Non-controlling interests		**115,262**	156,337
		619,058	488,006
Profit and total comprehensive income attributable to:			
Owners of the Company		**502,741**	330,646
Non-controlling interests		**115,262**	156,337
		618,003	486,983
Earnings per share	7		
— Basic (RMB)		**0.48**	0.33
— Diluted (RMB)		**0.48**	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,081,373**	3,728,701
Prepaid lease payments		**275,858**	253,345
Investment properties		**41,815**	36,868
Deferred tax assets		**353,028**	266,848
Deposits paid for acquisition of property, plant and equipment		**59,350**	55,207
Goodwill		**49,447**	49,447
Intangible assets		**17,818**	20,194
Interests in associates		**49,002**	48,491
Interests in joint ventures		**130,419**	57,646
Prepayments and other receivables		**28,153**	44,808
Loan receivables		**74,210**	266,710
		5,160,473	4,828,265
CURRENT ASSETS			
Inventories		**2,315,830**	2,066,792
Trade receivables	*9*	**1,610,574**	1,128,623
Bills receivable	*10*	**1,168,573**	540,268
Prepayments and other receivables		**1,292,230**	742,111
Amounts due from related parties		**96,538**	43,742
Prepaid lease payments		**6,128**	5,636
Loan receivables		**199,511**	46,000
Derivative financial instrument		**18,905**	–
Held-for-trading investments		**2,178**	–
Restricted bank deposits		**526,778**	404,723
Bank balances and cash		**588,439**	960,960
		7,825,684	5,938,855

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)
AT 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
CURRENT LIABILITIES			
Trade payables	11	**1,652,039**	1,821,875
Bills payable	12	**1,076,491**	641,916
Other payables and accruals		**1,455,608**	972,488
Amounts due to related parties		**10,358**	201
Income tax payable		**144,467**	78,186
Obligations under finance leases		**100,781**	51,555
Corporate bonds		**595,287**	–
Provision		**543,949**	462,890
Bank borrowings		**1,665,025**	1,389,729
		7,244,005	5,418,840
NET CURRENT ASSETS		**581,679**	520,015
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,742,152**	5,348,280
CAPITAL AND RESERVES			
Share capital		**74,961**	69,320
Reserves		**3,228,003**	2,515,320
Equity attributable to owners of the Company		**3,302,964**	2,584,640
Non-controlling interests		**848,457**	730,892
TOTAL EQUITY		**4,151,421**	3,315,532
NON-CURRENT LIABILITIES			
Deferred income		**249,286**	183,011
Deferred tax liabilities		**1,768**	5,614
Obligations under finance leases		**74,219**	174,353
Bank borrowings		**1,265,458**	771,938
Convertible bonds		**–**	303,845
Corporate bonds		**–**	593,987
		1,590,731	2,032,748
		5,742,152	5,348,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 Company's registered office address is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands, and 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 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 IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRSs	*Annual Improvements to IFRSs 2012–2014 Cycle*

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 year and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to 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]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
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 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 7	*Disclosure Initiative*[4]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to IFRSs	*Annual Improvements to IFRSs Standards 2014–2016 Cycle*[5]

[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 2017
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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:

- 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 debt investments and equity investments 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 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, 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.

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Directors are of the view that the expected credit loss model may result in early and additional provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs.

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 recognized in the respective reporting periods.

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 is 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 contributable to 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:

	2016	2015
	RMB'000	*RMB'000*
Lead-acid motive batteries		
Electric bike battery	**15,507,058**	14,195,693
Electric vehicle battery and special-purpose electric vehicle battery	**3,791,789**	3,544,518
Li-ion batteries	**329,488**	208,158
Materials include lead and active additives	**1,826,421**	921,836
	21,454,756	18,870,205

4. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings	**120,400**	147,083
Short-term financing notes	**–**	770
Corporate bonds	**49,845**	49,845
Finance lease	**7,860**	6,641
Convertible Bonds	**23,239**	44,438
Total borrowing costs	**201,344**	248,777
Less: amounts capitalised in construction in progress	**(8,221)**	(24,940)
	193,123	223,837

Borrowing costs capitalised during the year ended 31 December 2016 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.63% per annum (2015: 5.73% per annum) to expenditure on qualifying assets.

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2016	2015
	RMB'000	*RMB'000*
Salaries and other benefits costs	**865,229**	726,092
Retirement benefits scheme contributions	**32,541**	27,995
Labour cost *(Note)*	**215,191**	248,099
Total staff costs	**1,112,961**	1,002,186
Cost of inventories recognised as expense	**17,562,548**	15,883,346
Allowance for inventories (included in cost of sales)	**6,807**	2,557
Prepaid lease payments released to profit or loss	**5,800**	5,631
Auditors' remuneration	**6,672**	5,654
Amortization of intangible assets (included in administrative expenses)	**2,376**	2,376
Depreciation of property, plant and equipment	**348,646**	319,550
Depreciation of investment properties	**2,212**	1,737

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

6. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
The charge comprises:		
PRC current income tax	**176,038**	119,630
Deferred tax	**(90,026)**	(61,764)
	86,012	57,866

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 5%. During the year ended 31 December 2016, withholding tax on intra-group dividend amounting to RMB7,947,368 (year ended 31 December 2015: RMB16,737,368) 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 was subject to income tax at a tax rate of 15%. The following subsidiaries of the Company were recognized 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.)	2014 to 2016
超威電源有限公司 (Chaowei Power Co., Ltd.)	2014 to 2016
河南超威電源有限公司 (Henan Chaowei Power Co., Ltd.)	2014 to 2016
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 2016 (2015: 25%). The Company and its subsidiaries incorporated in the British Virgin Islands, Germany and Hong Kong had no assessable profits during the year (2015: nil).

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

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**705,070**	545,872
Tax at the applicable income tax rate of 25%	**176,268**	136,468
Tax effect of income tax deduction granted to subsidiaries in research and development expenditure	**(62,581)**	(55,559)
Tax effect of expenses not deductible	**4,054**	5,456
Effect of preferential tax rates on income of certain subsidiaries	**(23,973)**	(17,825)
Tax effect of tax losses not recognized	**16,296**	5,784
Utilisation of tax losses previously not recognised	**(33,602)**	(22,711)
Tax effect of share of loss of associates	**1,671**	920
Tax effect of share of profit of joint ventures	**(68)**	(162)
Deferred tax associated with withholding tax on undistributed profits of PRC subsidiaries	**7,947**	5,495
Income tax expense for the year	**86,012**	57,866

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:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**503,796**	331,669
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**23,239**	–
Earnings for the purpose of diluted earnings per share	**527,035**	331,669

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,043,091**	1,016,759
Effect of dilutive potential ordinary shares:		
Convertible loan notes	**64,821**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,107,912**	1,016,759

The computation of diluted earnings per share for the year ended 31 December 2015 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. DIVIDEND

	2016	2015
	RMB'000	*RMB'000*
Dividends declared for distribution during the year:		
2015 final dividend — RMB0.097 per share		
(2014 final dividend — nil)	**99,385**	–

A final dividend of RMB0.068 per share in respect of the year ended 31 December 2016 has been proposed by the Directors and is subject to the approval by the shareholders in the forthcoming annual general meeting of the Company (the "Annual General Meeting").

9. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**1,755,565**	1,197,181
Less: allowance for doubtful debts	**(144,991)**	(68,558)
	1,610,574	1,128,623

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:

	2016	2015
	RMB'000	*RMB'000*
0–15 days	**506,571**	498,475
16–90 days	**800,019**	474,440
91–180 days	**159,170**	74,360
181–365 days	**144,814**	81,348
	1,610,574	1,128,623

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality.

The aged analysis of trade receivables which are past due but not impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
16–90 days	**800,019**	474,440
91–180 days	**159,170**	74,360
181–365 days	**144,814**	81,348
	1,104,003	630,148

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:

	2016	2015
	RMB'000	*RMB'000*
At beginning of the year	**68,558**	34,465
Provided for the year	**76,433**	34,093
At end of the year	**144,991**	68,558

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:

	2016	2015
	RMB'000	*RMB'000*
0–90 days	**484,830**	320,705
91–180 days	**683,743**	219,563
	1,168,573	540,268

11. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Group normally settles its trade payables within 30 days from the material receiving date.

Included in the balance of trade payables as at 31 December 2016 of RMB168,264,000 (31 December 2015: RMB1,490,253,000) aged within 180 days has been settled by endorsed bills receivable but not matured at the end of the reporting period.

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

	2016	2015
	RMB'000	*RMB'000*
0–30 days	**867,674**	1,059,253
31–90 days	**301,636**	484,761
91–180 days	**381,262**	147,150
181–365 days	**54,828**	46,752
1–2 years	**28,025**	67,846
Over 2 years	**18,614**	16,113
	1,652,039	1,821,875

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:

	2016	2015
	RMB'000	*RMB'000*
0–90 days	**427,783**	278,584
91–180 days	**648,708**	363,332
	1,076,491	641,916

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of the Company, I am pleased to present to shareholders the annual results of the Group for the Year.

In 2016, the Group developed its businesses aggressively and achieved remarkable results as follows:

- The business maintained steady growth with revenue reaching RMB21,455 million and gross profit margin increased to 14.4%.

- The industry leadership remained solid and topped its industry peers among the "Fortune Top 500 Chinese Companies (《財富》中國500強)", "Top 500 Chinese Enterprises (中國企業500強)" and "Top 500 Chinese Private-owned Enterprises (中國民營企業500強)". The Group was also on the "Top 100 Chinese Enterprises in Light Industry (中國輕工業百強企業榜單)" list and placed first in "Top 10 Enterprises of New-energy Battery Industry in China Light Industries (中國輕工業新能源電池行業十強企業)".

- The Group continued to boast 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)".

These achievements and awards are testament to the leading position and brand advantage of the Group in the industry, with advanced technologies, and shrewd judgement and strategic vision. The remarkable results of the Group during the Year were mainly attributable to the following factors:

(1) Industry remaining stable with profits rebounding

In recent years, the PRC government has stepped up efforts in inspection and verification of environmental protection work and encouraging optimization and upgrade in the industry. These efforts bore fruits in 2016. At the regulatory policies introduced by the authority and the industry making adjustments, competition, which had been fierce in the past several years, has eased and the lead-acid motive battery industry has seen its profit rebound in general.

As a leading enterprise in the industry, the Group not only focuses on pushing for organic growth, but also places major efforts on promoting healthy and orderly development of the industry. During the Year, the Group actively responded to the policies and guidelines issued by the PRC government and also enhanced control over its production capacity. In addition to absorbing the market share released from eliminated production capacities, the Group strived to increase profits and worked hard at helping the industry rebound to its historical peak.

(2) Diversifying business and exploring new growth drivers

During the Year, the Group actively expanded its business and product mix and refined the new-energy industrial chain, gave itself a more diversified operation with constituents having sound growth potential. On 29 February 2016, the Group officially launched the CHILWEE Black Gold Series High-energy Value-regulated Lead-acid (VRLA) Battery (the "BG Battery"), the industry's first successful attempt at applying Graphene technology into a commercially viable, mass produced rechargeable lead-acid battery. Market response to the BG Battery has been very positive as users are impressed by the advanced technology it embeds and also its outstanding high power performance.

Seeing huge growth potential of the domestic energy storage market, the Group established a cooperative relationship with General Electric Company ("GE Company") on 30 December 2016. The two parties agreed to set up a joint venture to undertake research and development ("R&D"), production and sale of energy storage product using proprietary technology and know-how. With the joint venture having the complementary strengths of the two partners, the Group has formally forayed into a new market with substantial growth potential.

In addition, the lithium-ion battery and start-and-stop battery businesses of the Group recorded satisfactory progresses. To meet the increasing market demand for lithium-ion battery, the Group has continuously expanded its production capacity for the battery. Production of start-and-stop batteries commenced in the fourth quarter of 2016.

(3) Encouraging technological innovation and enhancing research and development

The Group's products excel those of its peers in the market and have been well received by the industry and consumers. This achievement is owed much to the effective R&D system and outstanding technological advantages of the Group. The Group has persisted on product innovation and focused on R&D. It has set up various technological innovation platforms, including a nationally-recognised technology centre, a nationally-accredited laboratory, a national environmental protection engineering technology centre and provincial key research institute, and also an overseas research institute in Germany. In 2016, the Group enhanced its technological strengths and made remarkable achievements in technological R&D.

The Group is open to exchange and cooperation with international academic institutes and enterprises with advanced and sophisticated technologies as well as professional talents. In 2016, the Group cooperated with Stanford University ("Stanford University") in the United States in developing the new generation of lithium-ion battery, and that has enhanced our lithium-ion battery technology. Such landmark partnerships which give birth to new technologies and new applications will consolidate our leading technological advantages and fortify our foundation for future growth.

(4) Optimizing sales network and strengthening brand value

The Group is one of the largest suppliers of motive batteries in the world and has a nationwide sales network in the PRC. It will continue to optimize production capacity, advance production technique and enhance technological innovation so as to solidify its industry leadership.

To buttress sales, the Group has expanded both the primary and secondary distribution markets. In addition to maintaining cooperation with various leading electric vehicle manufacturers, the Group in the Year has increased the number of independent distributors in the secondary market to 2,135. Furthermore, the Group has implemented lean management by refining and removing layers in sales channels, boosted the loyalty of customers to the "CHILWEE" brand. Our marketing strategy has been expanded from promoting channel expansion to cover also brand building, which means reputation of the "CHILWEE" brand will be enhanced with dedicated efforts, helping it gain market attention and praise as well as strengthen customer loyalty.

Looking forward, having the leverage of supportive government policies and with green living gaining endorsement by all in the community, plus the industry itself going through integration and reorganization and also a rapidly growing electric vehicle market, the industry has promising prospect. The Group will closely monitor the market and keep abreast of industrial trends, and timely and proactively adjust its production and marketing strategies to seize every appropriate business opportunity and consolidate its industry leader standing. In addition, the Group will continue to enhance brand building efforts, its R&D capacity, employee training and strategic cooperation with international business partners, as well as improve its industrial layout and new-energy industrial chain.

The year of 2016 was a significant strategic milestone year for the Group. Various projects made exciting achievements. On behalf of the Group, I would like to express my gratitude to our shareholders, customers and business partners for their long-standing support and faith in the Group. I would also like to thank the Board, the management team and our staff for their wholehearted commitment to the Group's success. With the community giving us attention and encouragement and the diligence and wisdom of our staff, the Group looks forward to taking its business to new heights in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group principally engages in 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, etc. Armed with advanced technologies and R&D prowess, the Group plans to manufacture and sell other products, including start-and-stop battery for automobiles in the future.

During the Year, the Group recorded satisfactory results. With leading production technologies, outstanding brand awareness among customers and an efficient distribution network, the Group has maintained a leading position in the industry. The Group enhanced R&D of technologies through exchange and cooperation with top international companies via various channels during the Year. In addition, to meet new demands bred by social development, the Group expanded the scope of its business and product offerings, adding batteries that afford better performance. The above-mentioned strategies have enhanced the Group's advantages in the industry.

Industry Overview

Booming demand from electric vehicle market

Benefiting from favorable government policies and increasing public awareness of the importance of environmental protection, the electric vehicle market in the PRC is the fastest growing in the world. The electric bike is a more and more popular transport among the Chinese people because it is environmentally friendly, very practical and relatively inexpensive. It has very promising growth potential in both the primary and secondary markets. Another electric vehicle, the electric tricycle, has also been in demand, thanks to the rapidly developing delivery and logistics industries in cities and counties. Driven by the thriving storage and logistics industry, the demand for forklifts is increasing too. All taken into account, the Group expects demands for its products to continue to boom.

Furthermore, new-energy vehicles, which are seen as an ideal energy-saving and emission reduction solution for urban transportation system, have remarkable growth potential and are expected to be the development focus of the vehicle industry in the future. To support the development of new-energy vehicles, the PRC government has introduced a series of policies. According to the "Industry Development Planning for Energy-saving and New-energy Vehicles (2012–2020)" (《節能與新能源汽車產業發展規劃(2012–2020年)》), the plan is for the accumulated production and sales volume of those vehicles to increase to more than 5 million units by 2020, representing a projected compound annual growth rate (CAGR) of approximately 60%. In October 2016, the "Technical Development Planning for Energy-saving and New-energy Vehicles" (《節能與新能源汽車技術路線圖》) was issued and has the planned proportion of new-energy vehicles to total vehicle sales at approximately 7%, 15% and 40%, and the estimated sales volume reaching 2.10 million units, 5.25 million units and 15.20 million units in 2020, 2025 and 2030, respectively. Moreover, the new policy on subsidies for new-energy vehicles jointly issued by the Ministry of Finance, the Ministry of Science and Technology, the Ministry of Industry and Information Technology ("MIIT") and the National Development and Reform Commission of the PRC took effect on 1 January 2017.

Subsidies were adjusted downward, as expected by the market, and more severe requirements were imposed on the technologies of new-energy vehicles. The more stringent production requirements and continuing subsidy policy are expected to release the purchasing power of consumers for new-energy vehicles. Thus, the new-energy vehicle industry will continue to grow rapidly in 2017.

Rebound of profits of the lead-acid motive battery market

With merits in capacity, safety, stability and performance, the lead-acid battery has an absolute advantage and is currently the most popular motive battery. Market demand for electric bikes and special-purpose electric vehicles has been stable and electric vehicles are required to replace their batteries in a specific timeframe. Both factors work in favor of the continuous growth in demand for lead-acid motive batteries. According to a Frost & Sullivan report, the sales volume of lead-acid batteries for electric bikes in the PRC is expected to experience a steady growth at a CAGR of 5.4% from 2016 to 2021.

In recent years, the PRC government has stepped up regulation of production of lead-acid batteries, tightening related environmental protection requirements. After the "Regulatory Standards of Lead-acid Battery Industry (2015 Edition)" (《鉛蓄電池行業規範條件(2015年本)》) and the environmentally friendly development guidelines listed in the country's "13th Five-Year Plan" were implemented, the lead-acid battery industry has been eliminating obsolete capacities since 2016 and it has a healthier structure now. Government regulatory policies plus adjustment of the industry itself had helped ease competition, which had gone on for several years, among industry players and as such the overall profits of the industry rebounded.

Upgraded production standard of lithium-ion battery

Along with the climb in sales volume of new-energy vehicles, the market is paying more attention to the lithium-ion battery. At the same time, the government has introduced more stringent production requirements on lithium-ion battery manufacturers. In September 2015, the MIIT published the "Regulatory Requirements on Lithium-ion Battery Industry (《鋰離子電池行業規範條件》)", which contains tightened requirements on the production capacity and product performance of lithium-ion battery manufacturers. And in the "Consultation Paper of Regulatory Requirements for the Automobile Battery Industry (2017) (《汽車動力電池行業規範條件(2017年)》徵求意見稿)" issued by the MIIT in November 2016, even tighter requirements are set out in relation to the annual production capacity, R&D and level of automation in production of a lithium-ion battery manufacturer, which reflected the determination of the PRC government to regulate production of lithium-ion batteries.

Despite the tightened regulatory policies, the Group maintained an outstanding production performance. On 17 June 2016, the MIIT announced the fourth batch of enterprises to be listed in the "Standardized Requirements for the Automobile Power Storage Battery Industry (《汽車動力蓄電池行業規範條件》企業目錄)" catalogue. Zhejiang Chaowei Chuangyuan Industrial Co., Ltd. (浙江超威創元實業有限公司), a subsidiary of the Group made the list.

This speaks to the Group's leading position in the industry. As one of the industry leaders with technological, cost and scale advantages, the Group will benefit from the industry and capacity consolidation. The Group aims to cement its leadership by enlarging the market share of its safe, advanced and quality products.

Business Development

Consolidated industry leadership and increased profitability of products

During the Year, continuing on the uptrend of the previous year, the Group recorded revenue of RMB21,455 million, representing an increase of 13.7% against the previous year. Its gross profit margin increased by 1.6 percentage points to 14.4%. Profit attributable to owners of the Company increased to RMB504 million, up by 51.9% when compared with the previous year. During the Year, the Group's major product lead-acid motive batteries had the best performance in the industry with unit price up several times. It brought to the Group RMB15,507 million in revenue with a market share exceeding 40%.

The Group's superb industry position was highly recognized by the government and in the industry as evidenced in it ranking first in the industry for three consecutive years and being on the "Fortune Top 500 Chinese Companies (《財富》中國500強)", "Top 500 Chinese Enterprises (中國企業500強)" and "Top 500 Chinese Private-owned Enterprises (中國民營企業500強)" lists in 2016. During the Year, the Group was also included on the list of 2015 "Top 100 Chinese Enterprises in Light Industry (中國輕工業百強企業榜單)" and placed first in 2015 "Top 10 Enterprises of New-enengy Battery Industry in China Light Industries (中國輕工業新能源電池行業十強企業).

Enriched product mix and expanded to the global battery market

In 2016, via pursuing strategic cooperation in different areas, the Group was able to seize every appropriate market opportunity and enrich its product mix. The Group focused R&D and marketing efforts on the BG Battery, which was launched on 29 February 2016 and has met with a favourable market response. The product is the industry's first successful attempt at applying Graphene technology in a commercially viable, mass produced rechargeable lead-acid battery. During the Year, the sales volume of the BG Battery and its share of contribution to total sales had both kept increasing.

During the Year, the Group managed good progress with the development of lithium-ion battery. Adopting a pouch-type technique and featuring excellent safety-in-use, size flexibility and specific energy, the Group is looking to produce lithium-ion batteries that are smaller, lighter and capable of offering a greater driving range. During the Year, sales of lithium-ion battery products amounted to approximately RMB329 million. The Group will continue to closely monitor the increasing demand in the lithium-ion battery market, expand its production capacity and improve the functions of lithium-ion battery products, so as to realize mass production and meet the anticipated boom in demand for lithium-ion batteries in the future.

As for the development of start-and-stop battery products, the Group has been cooperating with the German battery manufacturer, Akkumulatorenfabrik MOLL GmbH & Co. KG since 2014 and officially commenced production in the fourth quarter of 2016. The Group is of the view that the demand for quality energy saving products will continue to rise in the future and the start-and-stop battery market has huge growth potential.

On 30 December 2016, the Group signed a contract with GE Company, pursuant to which a joint venture will be established to carry out R&D, production and sales of energy storage product using proprietary technology and know-how. This joint venture will enjoy the complementary advantages of the two partners and as such the capability to capitalize on the opportunities arising in the flourishing energy storage industry. This latest endeavor is another important step made by the Group in becoming a leading energy storage battery manufacturer.

Facilitated development through production innovation and continuously improving production technologies

Product innovation is crucial to the sustainable development of an enterprise. In 2016, the R&D expenses of the Group amounted to RMB577 million, representing 2.69% of the total revenue. As at 31 December 2016, the Group owned a total of 1,278 patents and had 300 patents under application. The Group is a National Model Enterprise of Technology Innovation (國家技術創新示範企業) and has to its name various technological innovation platforms, including a nationally-recognized technology centre, a nationally-accredited laboratory, a national environmental protection engineering technology centre and provincial key research institute, an academic work station and a post-doctoral research station, and also an overseas research institute in Germany. In 2016, the Group cooperated with Stanford University on development of the new generation of lithium-ion battery, which has enhanced the Group's lithium-ion battery technology. In addition, the Group has devoted greater effort to patent application for the core technologies related to the BG Battery. As at 31 December 2016, 2 patent certificates had been obtained while 6 other applications were still being processed.

The Group has strived to develop its own research team and bring in industry professionals to help it maintain technology leadership in the industry. It has actively recruited world-class industrial elites over the years. As at 31 December 2016, the Group had engaged more than 20 top experts from both across the country and all over the world, including 3 talent from the "Program of One Thousand Talent (千人計劃)", whose expertise spans from basic theory and materials to industrial batteries, motive batteries and lithium-ion batteries. Moreover, the Institute of Lithium-ion Motive Battery and Storage Battery established by the Group was recognized as a provincial level institute in Zhejiang Province, the PRC during the Year — a testament to the Group's pioneering efforts in research and innovation.

The Group will continuously introduce internationally-leading technologies and embark on product R&D and innovation to achieve persistent improvement in R&D and in turn provide customers with more reliable and high quality products.

Increased profitability through optimizing sales and distribution network and reputation

The Group has a nationwide sales and distribution network covering all primary and secondary markets. To serve primary markets, the Group maintained cooperation with a number of top electric bike manufacturers in the PRC, including such respected brands as Yadea, Lima, Evermaster, Bidewen and Luyuan, during the Year. And, in secondary markets, the Group has the independent distributors, which totaled at 2,135 as at 31 December 2016.

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. This sensible strategy has given the Group much flexibility to seize developing opportunities, reduce storage and logistics costs as well as speed up time-to-market for its products, and ultimately enhance profitability.

The Group adopts a flat and refined approach in managing its distributors. It has launched a more market-driven agency mechanism, removing intervening layers in sales channels, and as a result enhanced its sales channels and brand competitiveness. The Group also provides technical training and consultancy services to its independent distributors helping them enhance profitability. At the same time, the Group has fully optimized its marketing services to help build its brand and strengthen customer services. It continued to engage the renowned movie star, Mr. Donnie Yen, as brand spokesperson to boost its brand reputation, market recognition and customer loyalty.

Committed to environmental protection and people-oriented principle

The Group adheres to the principle of operating advanced, safe and environmentally friendly production and promotes the use of green energy that can protect the environment without compromising economic efficiency. The Group has upheld its corporate mission, which is to "Advocate Green Energy, Perfect Human Life", and followed the environmental protection principle of "minimize energy consumption, pollution and emissions". With planet earth enduring adverse situations, including climate change, shortage of resources and pollution, the Group has been keen at technological innovation, applying green production processes, controlling pollutants (exhaust gas, sewage and solid waste) and noise, reducing emission of greenhouse gases, conserving energy and adopting innovative pollution prevention measures to protect the natural environment. The Group is a leading green energy brand in the PRC, known and respected for its effort to promote environmental protection and become an enterprise dedicated to "resource conservation and being environmentally friendly".

The Group has taken the lead to develop and fully apply cadmium-free enclosed battery formation process and has been promoting it in the industry. As such, the production of lead-acid batteries is relying more and more on the application of cadmium-free enclosed battery formation process. The Group initiated a lead recycling project named "Atom Economy (原子經濟法)". By converting lead-acid batteries into lead powder through a chemical process, the Group achieves a 99% recycling rate of lead and the emission of smoke, sewage and exhaust gas is reduced accordingly, setting a benchmark for the lead-acid battery production and recycling industry.

Future Development

Looking ahead, the Group sees the industry continuing to restructure and optimize. As one of the leading enterprises in the battery industry, the Group will apply its profound strength and tap into the use of energy network to effectively grow its business in two areas: (1) motive batteries, motive systems and electric vehicles, and (2) storage batteries, energy storage stations and energy storage systems. In 2017, the Group will continue to:

1. *Strengthen its market leadership*

   The Group will continue to optimize industrial deployment to cover various new energy aspects, including motive batteries, energy storage batteries, pure electric vehicles, solar energy generation and distributed energy storage stations. It will seek to capitalize on opportunities brought by favorable government policies. It will keep its eyes on enhancing the competitiveness of its products, as well as strengthening its market leadership with improved product technologies and an optimized and more differentiated product mix. The Group is dedicated to becoming one of the largest suppliers of motive batteries and energy storage batteries in the world and offering better returns to investors.

2. *Spur innovation and take up responsibility for environmental protection*

   The Group will remain steadfast in implementing its advanced development strategies and focusing on the development of new energy vehicles, high-end equipment, new materials and energy conservation and environmental protection. It will also set up various national innovation platforms. With the support of leading technological talent, the Group will continue to develop more patented technologies and strive for breakthroughs that can provide it with catalyst for growth. In line with government intention, the Group will honor its responsibility to the industry, the community and the environment, pushing for sustainable development and the achievement of a harmonious and symbiotic relationship between the enterprise and the community. The Group's pursuit of the vision "Advocate Green Energy, Perfect Human Life" will continue in parallel with its development.

3. *Expand sales network to boost brand value*

   The Group will adhere to its strategic production master plan and expand sales network coverage through continuous collaboration with partners. It will keep abreast of changing market dynamics and employ measures that can allow it to tap those forces and capture target consumers. At the same time, the Group's marketing strategy will be broadened to cover brand building in addition to channel expansion, the goal of which is to bring the spotlight on to the virtues of the "CHILWEE" brand.

   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". Its hope is to realize the aspiration of becoming an industry leader who can "influence technical development and set standards for production model".

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately RMB21,454,756,000 in 2016, increased by approximately 13.7% over approximately RMB18,870,205,000 for 2015, which was primarily attributable to the growth in sales amount of electric vehicle batteries, special-purpose electric cars batteries and li-ion batteries.

Gross profit

The Group's gross profit amounted to approximately RMB3,085,681,000 in 2016, representing an increase of approximately 28.1% over approximately RMB2,409,665,000 for 2015. The gross profit margin in 2016 was approximately 14.4% (2015: approximately 12.8%) and the increase in gross profit margin was mainly due to the increase in average selling price of batteries.

Other income

The Group's other income amounted to approximately RMB159,655,000 in 2016, representing a decrease of approximately 49% from approximately RMB313,167,000 in 2015, which was mainly due to decrease of approximately RMB113,916,000 in government grants and decrease of approximately RMB9,175,000 in interest from bank deposits in 2016.

Distribution and selling expenses

The Group's distribution and selling expenses amounted to approximately RMB813,088,000 in 2016, representing a slight increase of approximately 1.9% from approximately RMB798,063,000 for 2015, which was primarily attributable to increase in after-sales service expenses and transportation costs in 2016. For 2016, the distribution and selling expenses as a percentage of revenue were approximately 3.8% (2015: approximately 4.2%).

Administrative expenses

The Group's administrative expenses were approximately RMB663,253,000 in 2016, representing a rise of approximately 12.7% over approximately RMB588,620,000 for 2015, which was primarily attributable to increases in staff expenses, depreciation and professional fees in 2016. The increase in administrative expenses was in line with the Group's business expansion.

Research and development expenses

R&D expenses amounted to approximately RMB576,890,000 in 2016, representing an increase of approximately 21.4% over approximately RMB475,188,000 for 2015, which was primarily attributable to increases in costs of research materials 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 decreased by approximately 13.7% from approximately RMB223,837,000 for 2015 to approximately RMB193,123,000 for 2016. The decrease in finance costs was primarily due to a decrease in interest expenses on outstanding convertible bonds which were all converted on 11 November 2016 and bank borrowings.

Profit before tax

For the above reasons, the Group's profit before tax increased by approximately 29.2% to approximately RMB705,070,000 in 2016 (2015: approximately RMB545,872,000).

Taxation

The Group's income tax expenses increased by approximately 48.6% to approximately RMB86,012,000 in 2016 (2015: approximately RMB57,866,000). The increase in taxation was in line with the increase in profit before tax. The effective tax rate of approximately 12.2% in 2016 (2015: approximately 10.6%) was mainly due to tax deduction on R&D expenditure, preferential tax rate in certain subsidiaries and utilisation of tax losses previously not recognised.

Profit attributable to owners of the Company

In 2016, profit attributable to owners of the Company amounted to approximately RMB503,796,000. Profit attributable to owners of the Company for 2015 was approximately RMB331,669,000.

Liquidity and financial resources

As at 31 December 2016, the Group had net current assets of approximately RMB581,679,000 (31 December 2015: net current assets of approximately RMB520,015,000). Cash and bank balances were approximately RMB588,439,000 (31 December 2015: approximately RMB960,960,000). Total borrowings, including bank borrowings, corporate bonds, obligation under finance leases and convertible bonds were approximately RMB3,700,770,000 (31 December 2015: approximately RMB3,285,407,000), 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 RMB1,984,037,000 bore interest at fixed rates and approximately RMB2,361,093,000 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 2016, the Group's current ratio (current assets/current liabilities) was 1.08 (31 December 2015: 1.1) and gearing ratio (total borrowings/total assets) was approximately 28.5% (31 December 2015: approximately 30.5%). 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 did not have any significant contingent liabilities as at 31 December 2016 (31 December 2015: nil).

Charge on 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 are as follows:

	2016	2015
	RMB'000	*RMB'000*
Buildings	**410,621**	369,949
Land use rights	**28,301**	99,642
Bills receivable	**811,109**	26,412
Restricted bank deposits	**526,778**	404,723

Capital commitments

	2016	2015
	RMB'000	*RMB'000*
Contracted but not provided for		
– acquisition of property, plant and equipment	**245,647**	296,140

Human resources and employees' remuneration

As at 31 December 2016, the Group employed a total of 18,705 (31 December 2015: 18,187) staff members in the PRC and Hong Kong.

During the Year, the total cost of employees amounted to approximately RMB1,112,961,000. 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 3 years and 5 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 2016.

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 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 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 and 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 auditors, 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 5 June 2017 to 8 June 2017 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming 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, Hong Kong for registration by no later than 4:30 p.m. on 2 June 2017.

The Board has resolved to recommend the payment of a final dividend of RMB0.068 per share for shareholders whose names appear on the Register of Members on 16 June 2017. The Register of Members will be closed from 14 June 2017 to 16 June 2017, both days inclusive, and the proposed final dividend is expected to be paid on 27 June 2017. 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 8 June 2017. 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, Hong Kong, for registration not later than 4:30 p.m. on 13 June 2017.

PUBLICATION OF ANNUAL REPORT

The full text of the Company's 2016 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, clients 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

Changxing, Zhejiang Province, the PRC, 26 March 2017

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.