

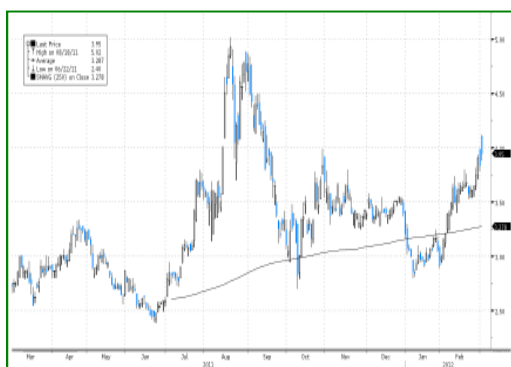
**Share Data**

Price (01/03/2012)	HK\$3.95
52 wk high/low (HK\$)	5.02/2.4
Stock code	951
Issued shares (mn)	1,005.29
Market cap (HK\$ mn)	3,970.90
Free-float	51.31%
15-day avg vol (mn)	3.48
Auditors	Deloitte

**Major shareholders:**

Zhou Ming Ming*	41.48%
Zhou Longrui#	7.20%

\* Chairman of Co., Executive Director of Co.


**Results & Forecasts**

FY ended Dec 31	2011	2012E	2013E
Revenue (Rmb mn)	4,932.0	6,160.0	8,580.0
Chg (% YoY)	52.94%	24.90%	39.29%
Net profit (Rmb mn)	455.3	552.1	757.9
Chg (% YoY)	69.78%	21.26%	37.27%
Basic EPS (Rmb)	0.4529	0.5492	0.7539
Chg (% YoY)	46.11%	21.26%	37.27%
PER (x)	7.08	5.84	4.25
DPS (Rmb)	0.136	0.165	0.226
Yield	4.24%	5.14%	7.05%
NBV (Rmb/share)	1.7386	2.0824	2.6101
P/B (x)	1.85	1.54	1.23

@Rmb0.8121/HK\$

Source: ABCI Securities estimates; Company reports

Report date: 1 Mar, 2012

Please also refer to report:

Chaowei (951)\_20120223

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**Chaowei Power Holdings Limited**
**Chaowei Power (951) – Maintain BUY**

Chaowei announced its FY2011 annual results and we attended the analyst presentation. Net profit rose 69.8% YoY to Rmb455.3mn. EPS of Rmb0.4529, was 4.4% below our estimate of Rmb0.4739, but the investors are shifting their focus to 2012 results. With updated production capacity figures, we raise our 1-year target price to HK\$5.41 from HK\$4.96, based on FY2012 PER of 8.0x. We maintain bullish view on this sector and maintain BUY.

**Results Highlights**

- **Strong results but below estimates:** Revenue increased by 52.9% YoY to Rmb4,932mn. As a result of two price hikes in Jul and Aug last year, GP margin rose to 32.1% in FY2011 from 26.3% in FY2010. Net profit rose 69.8% YoY to Rmb455.3mn. EPS of Rmb0.4529, was 4.4% below our estimate of Rmb0.4739 and consensus of Rmb0.50, mainly due to a higher expected cost of sales, administrative and R&D expenses.
- **Gaining market share:** Going forward, Chaowei growth will continue to be backed by strong industry growth and industry consolidation.

In 2011, 91% of electric bikes in China use lead-acid batteries in terms of sales revenue and it is expected to increase to 92.8% in 2015. According to Frost & Sullivan Report, the primary market of e-bike using lead-acid batteries are expected to grow at CAGR of 7.3% in 2011-2015, whereas the secondary market are expected to grow at CAGR of 24.2% for the same period. Overall, the revenue of lead-acid battery for e-bikes is expected to reach US\$5.9bn in 2015 from US\$2.9bn in 2011 in China, representing a CAGR of 20.0%.

In terms of industry consolidation, market leaders like Chaowei, are set to gain market share amid tightening environmental regulation. Chaowei's market share increased from 21% in 2010 to 24.5% in 2011 in terms of revenue and we expect the trend to continue. Chaowei is the second largest producer in the e-bike lead acid battery industry, just behind another market leader Tianneng (819) by 1.4%. According to the management, Chaowei has exceeded Tianneng to become the largest producer in 2H2011. As a result of increasing market concentration, we expect Chaowei to post faster growth than the industry average of 20%.

We adjust our FY2012 output growth to 56mn from 52mn units based on an updated figure on year-end capacity. Production capacity has reached 56mn units by the end of 2011 and is expected to increase to 78mn units by 2012 year end. We therefore assume 56mn units to be the bottom line of production units in 2012, which also represent a 40% YoY output growth.

- **Valuation:** We revise our FY2012 est EPS from Rmb0.5035/share to Rmb0.5492/share, up 21.2% YoY. The counter is trading at est. FY2012 PER of 5.84x and P/B of 1.54x. We raise our 1-year target price to at HK\$5.41, based on FY2012 PER of 8.0x. Maintain BUY.

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