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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 951)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue for the Period was approximately RMB13,371 million (the corresponding period of 2017: approximately RMB10,113 million).
- Profit attributable to owners of the Company for the Period was approximately RMB102.4 million (the corresponding period of 2017: approximately RMB281.3 million).
- Basic earnings per share for the Period amounted to RMB0.09 (the corresponding period of 2017: RMB0.25).
- The Board resolved not to declare an interim dividend for the Period.

INTERIM RESULTS

The board (the "Board") of directors (the "Directors" or each the "Director") of Chaowei Power Holdings Limited (the "Company") is pleased to announce the unaudited interim financial results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 (the "Period") together with the comparative figures for the corresponding period of 2017. These interim financial results have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, Certified Public Accountants and the audit committee (the "Audit Committee") of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Six months ended 30 June **2018** *RMB'000* **(unaudited)**	2017 *RMB'000* (unaudited)
Revenue	*4*	**13,370,865**	10,113,474
Cost of sales		**(11,920,126)**	(8,818,615)
Gross profit		**1,450,739**	1,294,859
Other income and other gains		**141,203**	182,506
Other expenses and losses		**(18,432)**	(23,888)
Impairment losses, net of reversal		**(53,867)**	(4,376)
Distribution and selling expenses		**(399,779)**	(413,104)
Administrative expenses		**(306,147)**	(235,934)
Research and development expenses		**(417,104)**	(318,860)
Finance costs		**(178,877)**	(114,781)
Share of results of associates		**(6,369)**	(5,075)
Share of results of joint ventures		**(9,183)**	(5,879)
Profit before tax	*5*	**202,184**	355,468
Income tax expense	*6*	**(65,063)**	(86,687)
Profit for the Period		**137,121**	268,781
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(1,495)**	(1,247)
Fair value gain on debt instruments measured at fair value through other comprehensive income		**273**	–
Total comprehensive income for the Period		**135,899**	267,534
Profit (loss) for the Period attributable to:			
Owners of the Company		**102,395**	281,269
Non-controlling interests		**34,726**	(12,488)
		137,121	268,781
Total comprehensive income (expense) for the Period attributable to:			
Owners of the Company		**101,173**	280,022
Non-controlling interests		**34,726**	(12,488)
		135,899	267,534
Earnings per share			
— Basic and diluted (RMB)	*7*	**0.09**	0.25

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,800,322**	4,540,191
Prepaid lease payments		**397,884**	350,804
Investment properties		**41,371**	42,720
Goodwill		**54,073**	49,447
Intangible assets		**309,559**	327,066
Interests in associates		**141,812**	119,905
Loans to associates		**50,871**	49,095
Interests in joint ventures		**196,469**	195,652
Available-for-sale investments		**–**	14,694
Equity instruments at fair value through other comprehensive income		**10,402**	–
Loan receivables		**249,449**	204,449
Prepayments and other receivables		**9,663**	11,893
Deferred tax assets		**468,499**	395,507
Deposits paid for acquisition of land use right		**16,000**	16,000
Deposits paid for acquisition of property, plant and equipment		**185,490**	131,652
		6,931,864	6,449,075
CURRENT ASSETS			
Inventories		**3,007,203**	2,308,702
Trade receivables	*9*	**2,199,587**	1,941,109
Bills receivable	*10*	**–**	1,977,677
Debt instruments at fair value through other comprehensive income	*10*	**2,007,346**	–
Prepayments and other receivables		**1,666,284**	1,540,253
Amounts due from related parties		**261,691**	198,001
Prepaid lease payments		**8,931**	7,883
Loan receivables		**19,186**	26,663
Derivative financial instrument		**–**	391
Financial assets at fair value through profit and loss		**10,955**	2,321
Restricted bank deposits		**1,413,628**	1,052,383
Bank balances and cash		**1,940,967**	1,501,319
		12,535,778	10,556,702

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 30 JUNE 2018

	Notes	**At 30 June 2018 *RMB'000* (unaudited)**	At 31 December 2017 *RMB'000* (audited)
CURRENT LIABILITIES			
Trade payables	*11*	**2,269,073**	2,293,315
Bills payable	*12*	**1,682,826**	1,041,371
Other payables and accruals		**1,227,841**	1,698,552
Amounts due to related parties		**19,222**	13,748
Income tax payable		**195,760**	175,733
Bank and other borrowings		**4,560,387**	3,193,586
Obligations under finance leases		**–**	75,000
Short-term financing note		**299,330**	–
Warranty provision		**474,393**	483,167
Contract liabilities		**1,257,640**	–
		11,986,472	8,974,472
NET CURRENT ASSETS		**549,306**	1,582,230
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,481,170**	8,031,305
CAPITAL AND RESERVES			
Share capital		**74,961**	74,961
Share premium and reserves		**3,594,293**	3,597,653
Equity attributable to owners of the Company		**3,669,254**	3,672,614
Non-controlling interests		**1,066,526**	1,014,826
TOTAL EQUITY		**4,735,780**	4,687,440
NON-CURRENT LIABILITIES			
Deferred income		**263,562**	275,050
Deferred tax liabilities		**1,818**	1,848
Bank and other borrowings		**1,419,654**	2,008,277
Corporate bonds		**416,011**	414,392
Medium-term notes		**644,345**	644,298
		2,745,390	3,343,865
		7,481,170	8,031,305

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 principal activities of the Group are manufacturing and sales of lead-acid motive batteries, lithium-ion batteries and other related products.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the Period have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than as described below and changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Application of new and amendments to IFRSs

In the Period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the Period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from manufacturing and sales of lead-acid motive batteries, lithium-ion batteries and other related products.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue*.

3.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under IFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

3.1.2 Summary of effects arising from initial application of IFRS 15

The impact of transition to IFRS 15 arising from the initial application of IFRS 15 on the Group's major revenue generating operation was insignificant on retained profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	**Carrying amounts under IFRS 15 at 1 January 2018**
	RMB'000	*RMB'000*	***RMB'000***
Current liabilities			
Other payables and accruals	1,698,552	(707,518)	**991,034**
Contract liabilities	–	707,518	**707,518**

As at 1 January 2018, advances from customers of RMB707,518,000 previously included in other payables and accruals were reclassified to contract liabilities.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position:

	As reported	**Adjustments**	**Amounts without application of IFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Other payables and accruals	1,227,841	1,257,640	2,485,481
Contract liabilities	1,257,640	(1,257,640)	–

3.2 *Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments*

In the current period, the Group has applied IFRS 9 *Financial Instruments*, and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

3.2.1 *Key changes in accounting policies resulting from application of IFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments/receivables had been measured at amortised cost. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, amounts due from related parties, loan receivables, loans to associates, restricted bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Note	**Available-for-sale investments** *RMB'000*	**Debt instruments at FVTOCI** *RMB'000*	**Equity instruments at FVTOCI** *RMB'000*	**Trade and bills receivable** *RMB'000*	**Deferred tax assets** *RMB'000*	**FVTOCI reserve** *RMB'000*	**Retained profits** *RMB'000*
Closing balance at 31 December 2017 — IAS 39		14,694	–	–	3,918,786	395,507	–	2,351,311
Effect arising from initial application of IFRS 9:								
Reclassification								
From available-for-sale investments	*(a)*	(14,694)	–	14,694	–	–	–	–
From loans and receivables	*(b)*	–	1,977,677	–	(1,977,677)	–	–	–
Remeasurement								
Impairment under ECL model	*(c)*	–	–	–	(30,687)	7,672	–	(23,015)
From cost less impairment to fair values	*(a)*	–	–	(3,770)	–	942	(2,828)	–
From amortised cost to fair value	*(b)*	–	(22,037)	–	–	5,509	(16,528)	–
Opening balance at 1 January 2018		–	1,955,640	10,924	1,910,422	409,630	(19,356)	2,328,296

(a) Available-for-sale investments

From AFS equity instruments to FVTOCI

The Group elected to present in OCI for the fair value changes of part of its equity investments previously classified as available-for-sale investments. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB14,694,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, which were unquoted equity investments previously measured at cost less impairment under IAS 39. The fair value loss of RMB2,828,000 (after tax) relating to those unquoted equity investments previously carried at cost less impairment were adjusted to FVTOCI reserve as at 1 January 2018.

(b) Loans and receivables

As part of the Group's cash flow management, the Group has the practice of discounting some of the discounts bills receivables to financial institutions before the bills are due for payment and derecognises bills discounted on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the Group's bills receivables of RMB1,977,677,000 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI. The related fair value losses of RMB16,528,000 (after tax) was adjusted to FVTOCI reserve as at 1 January 2018.

In addition, certain of the Group's trade receivables as at 1 January 2018, which are previously at amortised cost, are also considered as within the hold to collect contractual cash flows and to sell business model, and remeasured at FVTOCI.

(c) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and aging.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, amounts due from related parties, loan receivables, loans to associates, restricted bank deposits and bank balances and cash, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

The Group's debt instruments at FVTOCI are bills receivable that are issued by banks with high credit rating. Therefore, these bills receivables are considered to be at low credit risk and the loss allowance is measured on 12m ECL basis.

As at 1 January 2018, the additional credit loss allowance of RMB23,015,000 (after tax) has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

3.3 *Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards*

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) *RMB'000*	**IFRS 15** *RMB'000*	**IFRS 9** *RMB'000*	**1 January 2018 (Restated)** *RMB'000*
Non-current assets				
Available-for-sale investments	14,694	–	(14,694)	–
Equity instruments at FVTOCI	–	–	10,924	10,924
Deferred tax assets	395,507	–	14,123	409,630
Current assets				
Trade receivables	1,941,109	–	(30,687)	1,910,422
Bill receivable	1,977,677	–	(1,977,677)	–
Debt instruments at FVTOCI	–	–	1,955,640	1,955,640
Current liabilities				
Other payables and accruals	1,698,552	(707,518)	–	991,034
Contract liabilities	–	707,518	–	707,518
Capital and reserve				
Reserves	3,597,653	–	(42,371)	3,555,282

Note: the net effects arising from the initial application of IFRS 15 and IFRS 9 on the carrying amount of interests in associates and joint ventures on the opening consolidated financial statements and the condensed consolidated financial statements for the Period was insignificant in the opinion of the Directors.

Except as described above, the application of amendments to IFRSs in the Period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and sales of lead-acid motive batteries, lithium-ion batteries and other related products in the People's Republic of China (the "PRC"). The Group's revenue primarily represents the amount received and receivable for sale of lead-acid motive batteries during the Period.

The information reported to the executive Directors, who is the Group's chief operating decision maker for the purpose of resources allocation and assessment of performance, does not contain profit or loss information of each product line and the executive Directors reviewed the gross profit of the Group as a whole reported under the relevant accounting policies and financial regulations in the PRC, which does not have any significant differences as compared with gross profit reported under IFRSs. Therefore, the operation of the Group constitutes one single operating segment. Accordingly, no segment information is presented.

An analysis of revenue by products is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Lead-acid motive batteries		
Electric bikes battery	**8,382,985**	6,891,564
Electric cars battery and special-purpose electric cars battery	**3,606,405**	2,475,475
Li-ion batteries	**177,842**	94,582
Materials include lead and active additives	**1,203,633**	651,853
	13,370,865	10,113,474

The Group's revenue is recognised at a point in time when the customer obtains control of the distinct good or service. Most of the external revenues of the Group during the Period are from customers established in the PRC, the place of domicile of the Group's operating entities.

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Wages and salaries	**509,486**	404,155
Retirement benefits scheme contributions	**21,201**	19,655
Labour cost *(Note a)*	**103,865**	92,200
Share-based payments	**8,977**	–
Total staff costs	**643,529**	516,010
Capitalised in inventories	**(417,656)**	(378,433)
	225,873	137,577
Amortisation of intangible assets	**17,507**	1,188
Depreciation of property, plant and equipment	**193,302**	192,513
Total depreciation and amortisation	**210,809**	193,701
Capitalised in inventories	**(191,604)**	(172,008)
	19,205	21,693
Interest income on bank deposits	**(10,626)**	(10,336)
Interest income on loan receivables	**(10,452)**	(7,845)
Government grants *(Note b)*	**(80,645)**	(120,580)
Depreciation of investment properties	**1,541**	1,746
Prepaid lease payments released to profit or loss	**4,155**	2,953
Loss on disposal of property, plant and equipment	**1,380**	1,648
Exchange loss	**1,753**	1,949
Cost of inventory recognised as expense	**11,630,771**	8,569,480

Notes:

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

(b) Government grants mainly include various government subsidies received by the Company's subsidiaries from relevant government bodies in connection with enterprise expansion, technology advancement, environmental protection measures enhancement and product development. There were no unfulfilled conditions or contingencies relating to these grants and subsidies as at 30 June 2018 and 30 June 2017.

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Tax charge comprises:		
PRC current income tax	**124,053**	102,841
Deferred tax	**(58,990)**	(16,154)
	65,063	86,687

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% for both periods. Certain subsidiaries of the Group were entitled to preferential tax rate of 15% under the preferential treatment policy of the EIT Law. In addition, the EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law.

The aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB4,398,756,000 as at 30 June 2018 (31 December 2017: RMB4,128,388,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the Period attributable to the owners of the Company)	**102,395**	281,269

	Six months ended 30 June	
	2018	2017
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,107,912**	1,107,912

Note: For the six months ended 30 June 2018 and 2017, there was no dilutive impact as the Group had no dilative potential ordinary shares in issue.

8. DIVIDENDS

During the Period, a final dividend of RMB0.062 per share in respect of the year ended 31 December 2017 (six months ended 30 June 2017: RMB0.068 per share in respect of the year ended 31 December 2016) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the Period amounted to RMB68,691,000 (six months ended 30 June 2017: RMB75,338,000). The final dividend in respect of the year ended 31 December 2017 has been paid in July 2018.

The Board resolved not to pay dividend in respect of the Period (six months ended 30 June 2017: nil).

9. TRADE RECEIVABLES

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 following is an analysis of trade receivables by age, presented based on the revenue recognition date, net of allowance for doubtful debts as at 30 June 2018 and 31 December 2017:

	At 30 June 2018 *RMB'000* **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
0–15 days	**894,439**	670,034
16–90 days	**561,161**	442,068
91–180 days	**408,034**	385,734
181–365 days	**262,973**	425,831
Over 365 days	**72,980**	17,442
	2,199,587	1,941,109

Certain of the Group's trade receivables as at 30 June 2018 are considered as within the hold to collect contractual cash flows and to sell business model and measured at FVTOCI since initial adoption of IFRS 9 on 1 January 2018.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, based on the debtors' aging and estimated loss rates which are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

10. BILLS RECEIVABLE / DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balance as at 30 June 2018 represents bills receivables held by the Group which is measured at FVTOCI since initial adoption of IFRS 9 on 1 January 2018, since the bills are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. The bills of the Group discounted had been pledged as securities for obtaining the bank borrowings as at 30 June 2018.

The aging analysis of bills receivable presented based on issue date at 30 June 2018 and 31 December 2017 is as follows:

	At 30 June 2018 *RMB'000* **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
0–90 days	**1,577,490**	1,009,560
91–180 days	**429,856**	968,117
	2,007,346	1,977,677

11. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date, at 30 June 2018 and 31 December 2017:

	At 30 June 2018 *RMB'000* **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
0–30 days	**1,254,545**	1,119,268
31–90 days	**465,390**	512,613
91–180 days	**319,758**	533,133
181–365 days	**168,345**	56,913
1–2 years	**34,943**	57,400
Over 2 years	**26,092**	13,988
	2,269,073	2,293,315

12. BILLS PAYABLE

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

MANAGEMENT DISCUSSION & ANALYSIS

The Group is mainly engaged in the manufacturing and sales of lead-acid motive batteries, lithium-ion batteries and other related products, which are widely used in electric bikes, electric tricycles and special-purpose electric vehicles, etc.

Armed with advanced production technologies, well-established distribution network and outstanding brand awareness, the Group continues to be one of the top industry leaders. To further strengthen its core competitiveness and to meet the ever-changing market demands, the Group has strived to enhance its product technologies of battery products and to conduct technical exchanges and cooperation with top-notch international enterprises on research and development ("R&D") of battery products that afford better performance.

During the Period, the total revenue of the Group increased by 32.2% as compared to the same period last year to approximately RMB13,371 million. The Group's overall gross profit margin was approximately 10.9% (the corresponding period of 2017: approximately 12.8%), and profit attributable to owners of the Company was approximately RMB102.4 million (the corresponding period of 2017: approximately RMB281.3 million).

Industry Overview

Steady growth of demand for electric bikes and tricycles

Benefiting from ongoing urbanization, improving transportation network and increasing per capita consumption in the PRC, market demand for all kinds of electric vehicles has experienced steady growth. Electric bikes, as a low-cost, convenient and energy efficient mode of transportation, has gained widespread popularity in the PRC, especially in areas with under-developed transportation network. Electric bikes, electric tricycles and mini electric vehicles are important daily means of transportation in third and fourth tier cities, towns and vast rural areas in the country. According to a report of the market research company Frost & Sullivan ("Frost & Sullivan"), the sales volume and ownership of electric bikes in the PRC are expected to grow at the compound annual growth rate (CAGR) of approximately 5.2% and 4.0% respectively between 2016 and 2021.

Moreover, the aging population in the PRC has given rise to a strong demand for small electric tricycles as a preferred mode of transport for the elderly whereas the rapid developing delivery and logistics industries has boosted demand for large electric tricycles to be used for short-distance goods carriage. The development of storage and logistics industry has also increased the demand for electric forklifts.

Stable demand for lead-acid batteries

Among all types of batteries, lead-acid battery has the highest penetration rate and widest application in hybrid electric vehicles, electric vehicles and electric bikes as it is safe, cost-effective, recyclable and cryotolerant. Given the stable demand for electric bikes and special-purpose electric vehicles and the limited life-cycle of lead-acid battery, the demand for lead-acid batteries have also remained stable. According to the Frost & Sullivan report, the sales volume of lead-acid batteries for electric bikes in the PRC is expected to grow at the CAGR of 5.4% between 2016 and 2021.

Business Review

Maintaining market leadership by providing quality products

As one of the leading enterprises in the lead-acid battery industry, the Group continued its effort in offering high quality and sophisticated products while enhancing its manufacturing techniques to fulfil its commitment to and promote "Green production" without sacrificing efficiency. Such effort has enabled the Group to maintain its leadership in the battery markets for electric bikes, electric tricycles and special-purpose electric vehicles in the PRC. During the Period, the sales revenue from electric bike battery reached approximately RMB8,383 million, increased by approximately 21.6% compared with the first half of 2017 and accounting for approximately 62.7% of the Group's total revenue. Sales of electric tricycle batteries and special-purpose electric vehicle batteries together brought sales revenue of approximately RMB3,606 million, approximately an increase of 45.7% when compared with the corresponding period last year and accounting for approximately 27.0% of the Group's total sales revenue. As for lithium-ion battery products, in the first half of 2018, it contributed sales revenue of approximately RMB178 million to the Group, an increase of approximately 88.0% compared to the same period last year and accounting for approximately 1.3% of the Group's total revenue. 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 extension of running time of batteries. The Group will continue to closely monitor the increasing demand in the lithium-ion battery market, improve the performance of lithium-ion battery products and step up promotional efforts, so as to meet the growing demand for lithium-ion batteries.

Steadily developed distribution network and brand value enhancement

The Group has a nationwide sales and distribution network covering all primary and secondary markets. For the primary market, the Group has specially established a premier customer service department to serve major electric bike manufacturers. Comprehensive services are provided to those customers including regular visits with the management of those manufacturers, assigning dedicated sales representatives and offering customers technical support and upgrades. The Group's major customers in the primary market included Yadea, Luyuan, Jinpeng, Sunra and Evermaster. In addition, the Group has an extensive distribution network covering various provinces across the PRC. As at 30 June 2018, it had a total of 2,542 independent distributors in the secondary market.

The Group continued to strategically deploy its production facilities in regions with higher demand for lead-acid motive batteries, including Shandong, Jiangsu, Henan, Zhejiang, Anhui, Jiangxi and Hebei Provinces in the PRC. Having its production facilities close to its markets, the Group has been able to seize development opportunities with greater flexibility, lower storage and logistics costs and higher operational efficiency, and in turn effectively enhance profitability of the Group.

The Group continued to adopt a flat and refined approach in managing its distributors. It has taken on a more market-driven agency mechanism, removing intermediates in sales channels so as to enhance profitability and competitiveness of its brand. The Group continued to have the renowned movie star Mr. Donnie Yen as the brand spokesperson to help strengthen exposure of the "CHILWEE" brand and spread brand influence, thereby earning the trust and preference of customers.

Continuous emphasis on R&D investment to maintain core competitiveness

The Group sees advanced R&D technology as its core competitive strength and has actively invested in technological research. During the Period, R&D expenses of the Group amounted to approximately RMB417 million, accounting for approximately 3.1% of the Group's total revenue. As at 30 June 2018, the Group owned a total of 1,585 patents and 476 patent applications are pending approval.

Regarding its talent pool, the Group is committed to building a professional R&D team by recruiting world-class industry elites in order to maintain its industry leadership. As at 30 June 2018, the Group had in its team more than twenty reputed domestic and foreign experts, five of whom were brought in via the "Program of One Thousand Talent". In addition, the Group is designated as the National Model Enterprise of Technology Innovation and the National Model Enterprise of Intellectual Property, offering various technological innovation platforms, including a nationally-recognized enterprise 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.

Solid industry position brought wide recognition

The Group's position in the industry is highly recognized by the PRC government and the industry. For the 5th consecutive year, it made to the list of the "Top 500 Chinese Enterprises" and "Top 500 Enterprises of China's Manufacturing Industry", and continued to rank first in the battery industry. The Group was also on the lists of 2017 "Top 100 Enterprises of China Light Industry" and "Top 500 Chinese Private-Owned Enterprises" and placed first in the battery industry in "Top 100 Enterprises of China Light Industry in R&D capability". In addition, it made to the 2018 "Fortune Top 500 Chinese Companies" list and for the 6th consecutive year, came first among the "Top 10 Enterprises of New Energy Battery Industry in China Light Industries". During the Period, by virtue of its excellent technological innovation capability in the energy storage sector, brand influence and market competitiveness, Zhejiang Chaowei Power Co., Ltd., a subsidiary of the Group, bagged two accolades, namely "The Most Influential Enterprise Award" and "The Most Investment Value Award", in the energy storage industry at the 8th China International Energy Storage Conference.

Future development strategy

In the first half year of 2018, the battery industry went through continuous consolidation and structural optimization. As one of the leading enterprises in the industry, the Group shall apply its integrated strength to keep improving product quality and price-performance ratio, enhancing the core competitiveness of its existing businesses and consolidating its industry leadership. It will continue to strategically deploy production presence, strive to improve its distribution network, enhance operational efficiency and reduce storage and logistics expenses, while capturing market trends with flexibility, identifying and attracting target consumers effectively, stepping up brand building effort and improving the soft power of its brand, with the ultimate goal of building "CHILWEE" into a renowned battery brand.

Financial Review

Revenue

The Group's revenue for the Period amounted to approximately RMB13,370,865,000, representing an increase of approximately 32.2% compared to approximately RMB10,113,474,000 for the same period in 2017. The increase 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 for the Period amounted to approximately RMB1,450,739,000, representing an increase of approximately 12.0% compared to approximately RMB1,294,859,000 for the same period in 2017. During the Period, gross profit margin decreased from approximately 12.8% to approximately 10.9% primarily because of competitive pricing in some regions.

Other income and other gains

The Group's other income and other gains for the Period amounted to approximately RMB141,203,000, representing a decrease of approximately 22.6% compared to approximately RMB182,506,000 for the same period in 2017. The decrease was mainly due to a decrease in government grants received during the Period.

Distribution and selling expenses

The Group's distribution and selling expenses for the Period amounted to approximately RMB399,779,000, representing a decrease of approximately 3.2% compared to approximately RMB413,104,000 for the same period in 2017. The decrease was mainly due to lower after-sales services expenses.

Administrative expenses

The Group's administrative expenses for the Period were approximately RMB306,147,000, representing an increase of approximately 29.8% compared to approximately RMB235,934,000 for the same period in 2017. The increase was mainly attributable to increases in operating fees which are in line with the Group's business expansion, intangible assets amortisation, and the recognition of expenses in relation to the share options granted.

R&D expenses

R&D expenses for the Period amounted to approximately RMB417,104,000, representing an increase of approximately 30.8% compared to approximately RMB318,860,000 for the same period in 2017. The increase was primarily due to increase in R&D expenditure on lead-acid batteries and other new technology products during the Period.

Finance costs

The Group's finance costs for the Period increased by approximately 55.8% from approximately RMB114,781,000 for the corresponding period of 2017 to approximately RMB178,877,000. The increase in finance costs was primarily due to an increase in interest expenses on bank borrowings.

Profit before taxation

For the above reasons, the Group's profit before tax for the Period decreased by approximately 43.1% to approximately RMB202,184,000 (the corresponding period of 2017: approximately RMB355,468,000).

Taxation

The Group's income tax expenses for the Period decreased by approximately 24.9% to approximately RMB65,063,000 (the corresponding period of 2017: approximately RMB86,687,000). The effective tax rate for the Period was approximately 32.2% compared to approximately 24.4% for the same period in 2017. The increase in effective tax rate was mainly due to losses incurred by certain subsidiaries and the payment of withholding tax.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Period amounted to approximately RMB102,395,000, representing a decrease of approximately 63.6%, compared to approximately RMB281,269,000 for the same period in 2017.

Liquidity and financial resources

As at 30 June 2018, the Group had net current assets of approximately RMB549,306,000 (31 December 2017: approximately RMB1,582,230,000), of which cash and bank balances were approximately RMB1,940,967,000 (31 December 2017: approximately RMB1,501,319,000). Net debt, including bank borrowings, corporate bonds, medium-term notes, short-term financing note, obligations under finance leases and deducting cash and bank deposits, were approximately RMB3,985,132,000 (31 December 2017: approximately RMB3,781,851,000). The borrowings were mainly used to finance capital expenditure, the purchases of raw materials and operations of the Group. They were denominated in RMB or HKD, of which approximately RMB3,986,354,000 bore interests at fixed rates and approximately RMB4,560,387,000 were repayable within 1 year. The Group adopted centralised financing and treasury policies in order to ensure the funding is utilized efficiently.

As at 30 June 2018, the Group's current ratio (current assets/current liabilities) was approximately 1.05 (31 December 2017: approximately 1.18) and gearing ratio (net debt/total assets) was approximately 20.5% (31 December 2017: approximately 22.2%). The Group had sufficient cash and available banking facilities to meet its commitments and working capital requirements. The current cash position has enabled the Group to explore investment and business development opportunities to expand its market share in the PRC.

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 Renminbi, the Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2018 (31 December 2017: RMB8,000,000).

Human resources and employees' remuneration

As at 30 June 2018, the Group employed a total of 19,090 staff in the PRC and Hong Kong (30 June 2017: 18,735). During the Period, the total staff costs amounted to approximately RMB643,529,000 (30 June 2017: approximately RMB516,010,000). The Group sought to further strengthen staff training by offering focused training programs and study tours to management and professional technical personnel, and disseminating the latest government policy information on the lead-acid motive battery industry to all staff within the Period. The Group continued to strive for the enhancement of professional standards and overall qualities of its staff. The Group also provided competitive salary packages to its staff, encouraging them to be fully dedicated in their work and to leverage their capabilities in serving its customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

On 20 February 2018 (after trading hours), the Company entered into subscription agreements (the "Subscription Agreements") with six subscribers (the "Subscribers"), respectively, each an independent third party, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, the Subscription Shares at a subscription price of HK$4.48 per subscription share (the "Subscription Share"). The terms and conditions of each of the Subscription Agreement are substantially the same.

Pursuant to the Subscription Agreements, the Subscribers agreed to subscribe for an aggregate of 132,000,000 Subscription Shares under the general mandate of the Company, representing (i) approximately 11.91% of the existing issued share capital of the Company, and (ii) approximately 10.65% of the issued share capital of the Company as enlarged by the subscription. The net proceeds from the subscription (after deducting fees and expenses) are expected to be approximately HK$591 million, representing approximately a net subscription price of HK$4.48. The Directors intended to use the net proceeds as general working capital of the Group.

On 18 May 2018 (after the trading hours), the Company and the Subscribers entered into the supplemental agreements to the Subscription Agreements, pursuant to which the parties have mutually agreed, among other things, that the completion date be extended to 20 September 2018. As at the date of this announcement, the subscription has not proceeded to completion. Please refer to the announcements of the Company dated 20 February 2018, 18 May 2018 and 22 June 2018 for further details.

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the Period.

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 1 year and 11 months.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at 7 July 2010, being the listing date of the shares of the Company on the Stock Exchange, being 100,000,000 shares, which represented about 9.03% 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 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 5 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.

On 4 April 2018, 32,500,000 share options were granted at an exercise price of HK$4.332 per Share, among which 3,500,000 share options were granted to the Directors with details as follow:

Names	Positions	Number of the share options granted
Zhou Mingming	Executive Director, chief executive officer, controlling shareholder	500,000
Zhou Longrui	Executive Director	500,000
Yang Yunfei	Executive Director	500,000
Yang Xinxin	Executive Director	500,000
Fang Jianjun	Non-executive Director	500,000
Wang Jiqiang	Independent non-executive Director	250,000
Ouyang Minggao	Independent non-executive Director	250,000
Lee Conway Kong Wai	Independent non-executive Director	250,000
Ng Chi Kit	Independent non-executive Director	250,000

10%, 20% and 70% of the total number of the share options granted shall vest on 4 April 2018, 4 April 2019 and 4 April 2020 respectively, each with an exercise period commencing from the relevant vesting date and ending 8 years after the date of grant.

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in the interests of shareholders. The Company has complied with all code provisions of the Corporate Governance Code contained in Appendix 14 (the "Code") of the Listing Rules throughout the Period, except for 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 a code of conduct regarding securities transactions of the Directors, senior management and relevant employees (who, because of their office in the Company, are likely to be in possession of inside information) of the Company on terms no less exacting than the required standard of dealings specified in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code and the Company's own code of conduct regarding directors' securities transactions throughout the Period.

AUDIT COMMITTEE

The Company has established 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, namely Mr. Lee Conway Kong Wai ("Mr. Lee"), Mr. Wang Jiqiang, Prof. Ouyang Minggao and Mr. Ng Chi Kit. Mr. Lee is the chairman of the Audit Committee. Mr. Lee has professional qualification and experience in accounting and financial matters.

The Audit Committee has met and discussed with the external auditors of the Company, Deloitte Touche Tohmatsu, and has reviewed the accounting principles and practices adopted by the Group and the unaudited results of the Group for the Period. The Audit Committee considered that the unaudited consolidated results of the Group for Period are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made in accordance with Appendix 16 of the Listing Rules in this announcement.

INTERIM DIVIDEND

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

GENERAL INFORMATION

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

PUBLICATION OF INTERIM REPORT

The full text of the Company's 2018 interim report for the Period 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 Board would like to take this opportunity to express gratitude to our shareholders and the public for their continued support and to all staff for their hard work and commitment.

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

Hong Kong, 26 August 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.