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 2019

FINANCIAL HIGHLIGHTS

- Revenue for the Period was approximately RMB11,711 million (the corresponding period of 2018: approximately RMB13,371 million).
- Profit attributable to owners of the Company for the Period was approximately RMB286.0 million (the corresponding period of 2018: approximately RMB102.4 million).
- Basic earnings per share for the Period amounted to RMB0.26 (the corresponding period of 2018: RMB0.09).
- 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 2019 (the "Period") together with the comparative figures for the corresponding period of 2018. These interim financial results have been reviewed by the Company's auditor, 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 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**11,711,083**	13,370,865
Cost of sales		**(10,199,449)**	(11,920,126)
Gross profit		**1,511,634**	1,450,739
Other income and other gains		**185,812**	141,203
Other expenses and losses		**(17,501)**	(18,432)
Impairment losses under expected credit loss model, net of reversal		**(100,499)**	(53,867)
Distribution and selling expenses		**(352,641)**	(399,779)
Administrative expenses		**(284,530)**	(306,147)
Research and development expenses		**(365,642)**	(417,104)
Finance costs		**(204,896)**	(178,877)
Share of results of associates		**762**	(6,369)
Share of results of joint ventures		**(10,601)**	(9,183)
Profit before tax	*5*	**361,898**	202,184
Income tax expense	*6*	**(125,826)**	(65,063)
Profit for the period		**236,072**	137,121
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**2,359**	(1,495)
Fair value gain on receivables at fair value through other comprehensive income ("FVTOCI")		**3,822**	273
Total comprehensive income for the period		**242,253**	135,899
Profit (loss) for the period attributable to:			
Owners of the Company		**285,974**	102,395
Non-controlling interests		**(49,902)**	34,726
		236,072	137,121
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**292,155**	101,173
Non-controlling interests		**(49,902)**	34,726
		242,253	135,899
Earnings per share			
— Basic (RMB)	*7*	**0.26**	0.09
— Diluted (RMB)	*7*	**0.26**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**5,059,141**	4,991,790
Right-of-use assets		**489,999**	–
Prepaid lease payments		**–**	458,976
Investment properties		**41,651**	42,327
Goodwill		**49,447**	49,447
Intangible assets		**274,542**	294,149
Interests in joint ventures		**191,479**	191,080
Interests in associates		**125,719**	131,160
Equity instruments at FVTOCI		**10,737**	10,722
Loan receivables		**64,949**	78,949
Amounts due from related parties		**170,007**	173,085
Deferred tax assets		**536,662**	477,286
Prepayments and other receivables		**61,165**	47,433
Deposits paid for acquisition of property, plant and equipment		**169,174**	140,609
		7,244,672	7,087,013
CURRENT ASSETS			
Prepaid lease payments		**–**	9,367
Inventories		**2,792,530**	2,163,059
Trade receivables	*9*	**1,402,538**	2,024,755
Receivables at FVTOCI	*10*	**325,318**	634,864
Prepayments and other receivables		**1,401,159**	1,226,497
Loan receivables		**71,203**	143,659
Amounts due from related parties		**219,956**	212,406
Financial assets at fair value through profit and loss ("FVTPL")		**86,928**	66,427
Restricted bank deposits		**1,789,320**	1,159,844
Bank balances and cash		**2,455,501**	2,975,507
		10,544,453	10,616,385

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 30 JUNE 2019

	Notes	**At 30 June 2019** *RMB'000* **(unaudited)**	At 31 December 2018 *RMB'000* (audited)
CURRENT LIABILITIES			
Trade payables	*11*	**2,274,535**	2,057,807
Bills payables	*12*	**1,556,931**	1,145,288
Other payables and accruals		**1,142,874**	1,473,255
Contract liabilities		**579,470**	578,037
Tax liabilities		**225,335**	151,545
Bank borrowings		**3,631,768**	3,761,691
Short-term note		**–**	299,930
Amounts due to related parties		**28,039**	29,232
Lease liabilities		**5,677**	–
Warranty provision		**539,802**	535,253
		9,984,431	10,032,038
NET CURRENT ASSETS		**560,022**	584,347
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,804,694**	7,671,360
CAPITAL AND RESERVES			
Share capital		**74,704**	74,961
Share premium and reserves		**4,174,258**	3,927,707
Equity attributable to owners of the Company		**4,248,962**	4,002,668
Non-controlling interests		**878,713**	926,162
TOTAL EQUITY		**5,127,675**	4,928,830
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,888**	3,529
Deferred income		**306,164**	284,224
Bank borrowings		**1,290,782**	1,392,754
Lease liabilities		**11,495**	–
Medium-term note		**647,348**	646,331
Corporate bonds		**416,342**	415,692
		2,677,019	2,742,530
		7,804,694	7,671,360

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 six months ended 30 June 2019 (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 2018.

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 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 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Prepaid lease payments	458,976	(458,976)	–
Right-of-use assets	–	479,238	479,238
Current Assets			
Prepaid lease payments	9,367	(9,367)	–
Current Liabilities			
Lease liabilities	–	(4,137)	(4,137)
Non-current liabilities			
Lease liabilities	–	(6,758)	(6,758)

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

The information reported to the executive directors of the Company, 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	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Lead-acid motive batteries		
Electric bikes battery	**8,005,891**	8,382,985
Electric cars battery and special-purpose electric cars battery	**3,332,352**	3,606,405
Lithium-ion batteries	**137,986**	177,842
Materials include lead and active additives	**234,854**	1,203,633
	11,711,083	13,370,865

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	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Wages and salaries	**570,642**	509,486
Retirement benefits scheme contributions	**22,687**	21,201
Labour cost *(note a)*	**83,158**	103,865
Share-based payments	**29,046**	8,977
Total staff costs	**705,533**	643,529
Capitalised in inventories	**(504,236)**	(417,656)
	201,297	225,873
Amortisation of intangible assets	**19,607**	17,507
Depreciation of property, plant and equipment	**227,849**	193,302
Depreciation of investment properties	**1,457**	1,541
Depreciation of right-of-use assets	**8,945**	–
Prepaid lease payments released to profit or loss	**–**	4,155
Total depreciation and amortisation	**257,858**	216,505
Capitalised in inventories	**(207,670)**	(191,604)
	50,188	24,901

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Impairment losses recognised (reversed) on:		
— trade receivables	**61,441**	54,816
— other receivables	**35,295**	(949)
— loan receivables	**3,763**	–
	100,499	53,867
Interest income on bank deposits	**(32,681)**	(10,626)
Interest income on loan receivables	**(7,529)**	(10,452)
Government grants *(note b)*	**(120,264)**	(80,645)
Loss on disposal of property, plant and equipment	**1,498**	1,380
Exchange loss	**3,447**	1,753
Cost of inventory recognised as expense	**9,922,876**	11,630,771

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 represent the amount received from the local government by the PRC operating entities of the Group. Government grants of approximately (a) RMB105,883,000 (six months ended 30 June 2018: RMB69,157,000) represents unconditional incentive received and recognised; and (b) RMB14,381,000 (six months ended 30 June 2018: RMB11,488,000) represents subsidy on purchase, construct or otherwise acquire non-current assets amortised to profit or loss.

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Tax charge comprises:		
PRC current income tax	**164,325**	113,479
Under provision in prior years	**18,300**	10,574
Deferred tax credit	**(56,799)**	(58,990)
	125,826	65,063

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 RMB3,269,367,000 as at 30 June 2019 (31 December 2018: RMB2,769,168,000). 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	
	2019	2018
	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)	**285,974**	102,395

	Six months ended 30 June	
	2019	2018
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,107,386**	1,107,912
Effect of dilutive potential ordinary shares relating to:		
— outstanding share options	**95**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,107,481**	1,107,912

Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share as they did not have a dilutive effect to the Group's earnings per share during the six months ended 30 June 2019 and 2018 because the exercise prices of these share options were higher than the average market prices of the Company's shares during both periods.

8. DIVIDENDS

During the Period, a final dividend of HK$0.066 (equivalent to RMB0.056) per share in respect of the year ended 31 December 2018 (six months ended 30 June 2018: RMB0.062 per share in respect of the year ended 31 December 2017) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the Period amounted to HK$72,872,000 (equivalent to RMB62,388,000) (six months ended 30 June 2018: RMB68,691,000). The final dividend in respect of the year ended 31 December 2018 has been paid subsequent to the end of reporting period in July 2019.

The board of directors of the Company resolved not to pay dividend in respect of the Period (six months ended 30 June 2018: nil).

9. TRADE RECEIVABLES

The Group normally allows a credit period up to 45 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 2019 and 31 December 2018:

	At 30 June 2019 *RMB'000* **(unaudited)**	At 31 December 2018 *RMB'000* (audited)
0–45 days	**489,788**	1,034,670
46–90 days	**197,087**	284,160
91–180 days	**385,805**	409,937
181–365 days	**208,271**	240,876
Over 365 days	**121,587**	55,112
	1,402,538	2,024,755

10. RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balance as at 30 June 2019 represents bills receivables held by the Group which is measured at FVTOCI 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. At the end of the Period, bills receivable of the Group amounting to RMB130,870,000 (31 December 2018: RMB288,365,000) had been pledged as securities for obtaining the bank borrowings as at 30 June 2019.

The aging analysis of bills receivable presented based on issue date at 30 June 2019 and 31 December 2018 is as follows:

	At 30 June 2019 *RMB'000* **(unaudited)**	At 31 December 2018 *RMB'000* (audited)
0–90 days	**179,488**	111,133
91–180 days	**145,830**	523,731
	325,318	634,864

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

11. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date, at 30 June 2019 and 31 December 2018:

	At 30 June 2019 *RMB'000* **(unaudited)**	At 31 December 2018 *RMB'000* (audited)
0–30 days	**1,055,442**	979,624
31–90 days	**466,456**	591,483
91–180 days	**331,924**	317,701
181–365 days	**335,041**	116,996
1–2 years	**60,312**	21,172
Over 2 years	**25,360**	30,831
	2,274,535	2,057,807

12. BILLS PAYABLES

All the bills payables 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 primarily used in electric bikes, electric tricycles and special-purpose electric vehicles, among others.

Relying on its famous "CHILWEE" brand, advanced production technologies and market-oriented sales strategy, the Group has continued to maintain market leadership. The Group is committed to improving the production technologies underpinning its battery products. Through technological exchanges and cooperating with world-leading enterprises, the Group pursues research and development ("R&D") of battery products with more superior performance, better energy efficiency and more eco-friendly, so as to enhance its core competitiveness for responding to the national strategic requirements and market demands.

For the Period, the Group's total revenue amounted to approximately RMB11,711 million. Overall gross profit margin was approximately 12.9% (corresponding period of 2018: approximately 10.9%), representing an increase of two percentage points, primarily due to cost reduction. Profit attributable to owners of the Company was approximately RMB286.0 million (corresponding period of 2018: approximately RMB102.4 million), representing a surge of 179.3%. Earnings per share amounted to RMB0.26 (corresponding period of 2018: RMB0.09).

Industry Overview

Electric bike market developing steadily

The People's Republic of China (the "PRC") ranks the top manufacturer and seller of electric bikes in the world. Electric bikes are inexpensive, small in size, convenient and energy-efficient, hence they continue to be an indispensable means of daily transportation in third- and fourth-tier cities, towns and rural areas. According to statistics of the China Bicycle Association, ownership of electric bikes has reached over 250 million in the PRC. And, demand for electric bikes is expected to grow steadily. According to the report of the market research company Frost & Sullivan ("F&S"), the sales volume of electric bikes in the PRC is expected to grow at a compound annual growth rate (CAGR) of approximately 5.2% between 2016 and 2021.

Continuous growth in demand for electric tricycles

With the Chinese society continuing to grow and urbanization progress in stable strides, transportation network improving and per capita spending in the country rising, market demand for various types of electric vehicles has kept climbing steadily. The PRC has an aging population, pushing up demand for small electric tricycles as a preferred transport of elderly. Development of e-commerce driving the rapid growth of the express delivery and storage and logistics industry in the PRC has also braced the continuous growth in demand for larger electric tricycles for short-haul goods transportation as well as electric forklift demand.

Moreover, according to the "Action Plan for Comprehensive Treatment of Air Pollution in Autumn and Winter 2018–2019 in Beijing-Tianjin-Hebei Region and Surrounding Areas" (《京津冀及周邊地區2018–2019年秋冬季大氣污染綜合治理攻堅行動方案》), effective from 1 October 2018, additional or replacement vehicles for public transportation, environmental, hygiene and postal services, as well as additional or replacement of working vehicles in ports, airports and railway freight areas in the urban built-up areas should primarily be new-energy or clean-energy vehicles. This new policy is expected to boost sales of special-purpose electric vehicles and related batteries.

Stable development of lead-acid motive battery industry

The lead-acid battery continues to top other battery types in market penetration and scope of application because of its high price-performance ratio, safety, cryotolerance and recyclability, maturity of lead-acid battery technology and the wide applications of the product. Currently, lead-acid batteries are predominantly used in electric bikes in the PRC. Given the stable demand for electric bikes and special-purpose electric vehicles and the need to replace lead-acid batteries used in them, the demand for lead-acid batteries has remained stable. According to the F&S report, the sales volume of lead-acid batteries for electric bikes in the PRC is expected to grow at a CAGR of 5.4% between 2016 and 2021.

Policies in favor of market leaders

The national standards "Technical Specification for the Recycling of Waste Lead-acid Battery" (《廢鉛酸蓄電池回收技術規範》) were officially announced by the State Administration for Market Regulation and Standardization Administration of the PRC in the first half of 2019 and will take effect on 1 October 2019. The standards require enterprises to establish a recycling system capable of "recycling one battery for every battery sold", with used batteries collected via a network at the consumer-end by the manufacturer's own sales channel or specialized recycling business operators. When the said standards are implemented, the used lead-acid battery recycling industry in the PRC will be motivated to develop and help enhance environmental protection. At the same time, lead-acid battery manufacturers unable to meet the requirements will be ousted, and the industry will further consolidate and have an optimized structure in favor of the market leaders.

Business Review

Stable and sound development of battery business

Lead-acid motive batteries are the Group's principal products. As an industry leader, the Group has been focused on enhancing the quality and performance of its lead-acid motive battery products to ensure the business continue to achieve sound and stable development. During the Period, revenue from sales of lead-acid motive batteries reached approximately RMB11,338 million, accounting for approximately 96.8% of the Group's total revenue. Revenue from sales of electric bike batteries amounted to approximately RMB8,006 million, accounting for approximately 68.4% of the Group's total revenue, and revenue from sales of electric tricycle batteries and special-purpose electric vehicle batteries amounted to approximately RMB3,332 million, accounting for approximately 28.5% of the Group's total revenue.

Moreover, the Group also sells lithium-ion battery products, manufactured using a pouch-type technique which secured for the Group 185 patents as well as specialised accreditations such as the "China Torch Program Industrialization Showcase Project Certificate". The products deliver excellent performance and high level of safety-in-use and specific energy conducive to lightweight development and extending running time of the batteries. During the Period, revenue from sales of the lithium-ion battery products amounted to approximately RMB138 million.

Extensive distribution network helps enhance brand impact

The Group places its production facilities strategically close to the markets where demands for lead-acid motive batteries are high, including Shandong, Jiangsu, Henan, Zhejiang, Anhui, Jiangxi and Hebei Provinces in the PRC, so that it may flexibly seize market opportunities, lower storage and logistics costs, and enhance operational efficiency and profitability.

The Group has built a nationwide sales and distribution network in the PRC with full coverage of the primary market and secondary market. For the primary market, the Group has a major customer service department paying regular visits to management of leading electric bike manufacturers, assigning dedicated sales representatives to deliver their service, and also provide them with comprehensive services, such as technical support and upgrades. The Group's major customers in the primary market include Yadea and Evermaster. Moreover, the Group operates an extensive distribution network spanning all provinces in the country. As at 30 June 2019, the Group had 2,550 independent distributors serving the secondary market.

The Group continues to adopt a flatten distribution structure and apply delicacy management and market-oriented approach in distributor management, decreasing intermediaries in sales channels, so as to strengthen its sales channels while enhancing profitability and customer services. The Group also continues the appointment of the renowned movie star Donnie Yen as brand ambassador, in its bid to bolster influence of the "CHILWEE" brand and win the trust and support of customers and consumers.

Industry leadership well-recognized

Armed with outstanding ability in technological innovation of energy storage products, strong brand influence and market competitiveness, the Group enjoys strong recognition for its leading position from the Chinese government and the industry. During the Period, the Group kept its position among the "Top 500 Chinese Enterprises" (中國企業500強), "Top 500 Enterprises of China's Manufacturing Industry" (中國製造業企業500強) and "2018 Top 500 Chinese Private Owned Enterprises" (中國民營企業500強) and won the honor of being included among the "Fortune Top 500 Chinese Companies" (《財富》中國500強). The Group also continued to be one of the "Top 100 Enterprises in China Light Industry" (中國輕工業百強企業) and listed on the "Top 100 Science & Technology Enterprises in China Light Industry" (中國輕工業科技百強企業), as well as topping for the seventh year in a row the list of "Top 10 Enterprises in New Energy Battery Industry in China" (中國新能源電池行業十強企業). Furthermore, the Group and Mr. Zhou Mingming, its Chairman and Chief Executive Officer, were named as "2018 Advanced Entity in China's Lead-acid Battery Industry" (2018年度中國鉛酸蓄電池行業先進集體) and "2018 Leader in China's Lead-acid Battery Industry" (2018年度中國鉛酸蓄電池行業領軍人物), respectively, by the China Electrical Equipment Industry Association (中國電器工業協會).

Strong technology R&D effort ensures sustained technological leadership

Since adopting the "Technology CHILWEE" approach, the Group has insisted on enhancing its core competitiveness through innovation, devoting consistent effort on technology R&D and upgrades. During the Period, the Group's R&D expenses amounted to approximately RMB366 million, accounting for approximately 3.1% of the Group's total revenue. As at 30 June 2019, the Group owned 1,947 patents and had submitted application for 331 patents.

The Group has a leading R&D team and has been actively recruiting top world-class professionals. As at 30 June 2019, the Group had more than 10 reputable local and foreign experts on its R&D team, 6 of whom were brought in via the "Program of One Thousand Talent (千人計劃)". In addition, the Group has been named as "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). It has also established a number of platforms for technological innovation, including a nationally-recognized enterprise technology center, a nationally-accredited laboratory, a national environmental protection engineering technology center, a provincial key research institute, an academician work station and a post-doctoral research work station, among others. The Group has also set up overseas research institutes in the United States, Russia and Germany.

Future Development Strategy

In view of the intense competition in the lead-acid battery industry during the Period, plus the government stepping up regulation of the battery industry, enterprises must identify their internal potentials, and equip themselves to enhance effectiveness and efficiency to make sure they are prepared for the challenges in the lead-acid battery industry. As a leading enterprise in the industry, the Group will capitalize on its integrated strengths, keep raising its R&D standard and product quality, improve operational efficiency and price-performance ratio and persist with green development, all to the end of bolstering the core competitiveness of its business. The Group will also continue to strategically position its production base, perfect its distribution network and spend more efforts in brand building, as well as flexibly adapt to changes in market situation, effectively capture target consumer groups and vigorously strive to expand market.

Financial Review

Revenue

The Group's revenue for the Period amounted to approximately RMB11,711,083,000, representing a decrease of approximately 12.4% compared to approximately RMB13,370,865,000 for the same period in 2018. The decrease was primarily attributable to drop in average selling price of lead-acid motive batteries caused by decrease in price of lead which is the main raw material.

Gross profit

The Group's gross profit for the Period amounted to approximately RMB1,511,634,000, representing an increase of approximately 4.2% compared to approximately RMB1,450,739,000 for the same period in 2018. The Group's gross profit margin for the Period was approximately 12.9% (the corresponding period of 2018: approximately 10.9%). The Group adopted a cost plus pricing mechanism. During the Period, price of lead which is the main raw material has dropped in general. The increase in gross profit margin was primarily because the Group was able to price the lead-acid batteries at a higher margin.

Other income and other gains

The Group's other income and other gains for the Period amounted to approximately RMB185,812,000, representing an increase of approximately 31.6% compared to approximately RMB141,203,000 for the same period in 2018. The increase was mainly due to an increase in government grants received during the Period.

Distribution and selling expenses

The Group's distribution and selling expenses for the Period amounted to approximately RMB352,641,000, representing a decrease of approximately 11.8% compared to approximately RMB399,779,000 for the same period in 2018. The decrease was in line with the decrease in revenue.

Administrative expenses

The Group's administrative expenses for the Period were approximately RMB284,530,000, representing a decrease of approximately 7.1% compared to approximately RMB306,147,000 for the same period in 2018. The decrease was mainly attributable to the Group has effectively controlled the general administrative expenses during the Period.

R&D expenses

The Group's R&D expenses for the Period amounted to approximately RMB365,642,000, representing a decrease of approximately 12.3% compared to approximately RMB417,104,000 for the same period in 2018. The decrease was primarily due to decrease 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 14.5% from approximately RMB178,877,000 for the corresponding period of 2018 to approximately RMB204,896,000. The increase in finance costs was primarily due to an increase in interest expenses on bank borrowings during the Period.

Profit before taxation

For the above reasons, the Group's profit before tax for the Period increased by approximately 79% to approximately RMB361,898,000 (the corresponding period of 2018: approximately RMB202,184,000).

Taxation

The Group's income tax expenses for the Period increased by approximately 93.4% to approximately RMB125,826,000 (the corresponding period of 2018: approximately RMB65,063,000). The effective tax rate for the Period was approximately 34.8% compared to approximately 32.2% for the same period in 2018. The increase in effective tax rate was mainly due to losses incurred by certain subsidiaries and the payment of withholding tax during the Period.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the Period amounted to approximately RMB285,974,000, representing an increase of approximately 179.3%, compared to approximately RMB102,395,000 for the same period in 2018. The increase was mainly due to cost reduction during the Period.

Liquidity and financial resources

As at 30 June 2019, the Group had net current assets of approximately RMB560,022,000 (31 December 2018: approximately RMB584,347,000), of which cash and bank balances were approximately RMB2,455,501,000 (31 December 2018: approximately RMB2,975,507,000). Net debt, including bank borrowings, corporate bonds, medium-term notes, short-term financing note, lease liabilities and deducting cash and bank deposits, were approximately RMB1,758,591,000 (31 December 2018: approximately RMB2,381,047,000). 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 RMB3,272,060,000 bore interests at fixed rates and approximately RMB3,631,768,000 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 2019, the Group's current ratio (current assets/current liabilities) was approximately 1.06 (31 December 2018: approximately 1.06) and gearing ratio (net debt/total assets) was approximately 9.9% (31 December 2018: approximately 13.4%). 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.

Pledge of assets

At the end of the reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each of the reporting periods is as follows:

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Buildings	**1,008,085**	765,414
Right-of-use assets	**437,237**	–
Land use rights	**–**	336,094
Construction in progress	**–**	60,288
Other receivable	**55,962**	45,802
Receivables at FVTOCI	**130,870**	288,365
Restricted bank deposits	**1,789,320**	1,159,844
Total	**3,421,474**	2,655,807

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

Human resources and employees' remuneration

As at 30 June 2019, the Group employed a total of 16,124 (30 June 2018: 19,090) staff members in the PRC and Hong Kong. During the Period, the total cost of employees amounted to approximately RMB705,533,000 (30 June 2018: approximately RMB643,529,000). The Group sought to further strengthen staff training by offering focused training programs and study tours to management and professional technical personnel, and disseminating the latest government policy information on the lead-acid motive battery industry to all staff within the Period. The Group continued to strive for the enhancement of professional standards and overall qualities of its staff. The Group also provided competitive salary packages to its staff, encouraging them to be fully dedicated in their work and to leverage their capabilities in serving its customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the Period, the Company has repurchased a total of 3,785,000 shares on the Stock Exchange at an aggregate consideration of HK$10,909,870. The highest price paid per share is HK$3.05, and the lowest price paid per share is HK$2.73. Details of the repurchase are as follows:

Date of repurchase	**Number of shares repurchased**	**Highest price paid per share** *(HK$)*	**Lowest price paid per share** *(HK$)*
21 January 2019	200,000	2.95	2.95
22 January 2019	1,073,000	2.97	2.87
23 January 2019	403,000	2.86	2.80
24 January 2019	522,000	2.92	2.79
25 January 2019	802,000	2.83	2.73
28 January 2019	100,000	2.82	2.79
29 January 2019	200,000	2.94	2.90
30 January 2019	200,000	3.03	2.94
31 January 2019	250,000	3.05	3.03
1 February 2019	35,000	3.05	3.03
	3,785,000		

As at the date of this announcement, all repurchased shares have been cancelled.

Save 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.

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 (the "Code") contained in Appendix 14 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 auditor, 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 2019 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, 25 August 2019

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.