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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 2023

FINANCIAL HIGHLIGHTS

- Revenue for the Period was approximately RMB16,539 million (the corresponding period of 2022: approximately RMB13,264 million).
- Gross profit for the Period was approximately RMB1,712 million (the corresponding period of 2022: approximately RMB1,568 million).
- Profit attributable to owners of the Company for the Period was approximately RMB254.4 million (the corresponding period of 2022: approximately RMB301.3 million).
- Basic earnings per share for the Period amounted to RMB0.23 (the corresponding period of 2022: RMB0.27).
- 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 2023 (the “Period”), together with the comparative figures for the corresponding period of 2022. These interim financial results have been reviewed by the Company’s auditor, Ernst & Young, Certified Public Accountants and the audit committee (the “Audit Committee”) of the Company.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	16,539,103	13,264,191
Cost of sales		(14,826,839)	(11,696,602)
Gross profit		1,712,264	1,567,589
Other income		157,152	257,436
Other gains and losses		6,227	32,168
Impairment losses under expected credit loss model, net of reversal		(60,214)	(26,902)
Distribution and selling expenses		(428,227)	(443,964)
Administrative expenses		(308,766)	(319,979)
Research and development expenses		(497,113)	(488,804)
Finance costs		(195,528)	(169,343)
Share of results of associates		37	(241)
Share of results of joint ventures		21,774	9,216
Profit before tax	5	407,606	417,176
Income tax expense	6	(116,277)	(109,900)
Profit for the period		291,329	307,276
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		269	(1,657)
Fair value loss on receivables at fair value through other comprehensive income ("FVTOCI")		(11,901)	(13,305)
Other comprehensive expense for the period, net of income tax		(11,632)	(14,962)
Total comprehensive income for the period		279,697	292,314
Profit for the period attributable to:			
Owners of the Company		254,389	301,258
Non-controlling interests		36,940	6,018
		291,329	307,276
Total comprehensive income for the period attributable to:			
Owners of the Company		242,757	286,296
Non-controlling interests		36,940	6,018
		279,697	292,314
Earnings per share			
— Basic and diluted (RMB)	7	0.23	0.27

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment		4,851,780	4,967,101
Right-of-use assets		630,607	537,214
Investment properties		836	1,107
Goodwill		49,447	49,447
Intangible assets		170,347	147,272
Interests in joint ventures		76,068	70,539
Interests in associates		39,405	39,696
Equity instruments at FVTOCI		25,300	11,118
Loans receivable		50,076	48,297
Amounts due from related parties		77,293	77,293
Deferred tax assets		637,004	630,182
Deposits paid for acquisition of property, plant and equipment		339,445	351,705
		6,947,608	6,930,971
CURRENT ASSETS			
Inventories		5,298,836	3,981,978
Trade receivables	9	2,246,299	2,234,847
Receivables at FVTOCI	10	2,045,650	2,365,207
Prepayments, other receivables and other assets		1,355,437	1,194,963
Loans receivable		25,638	25,980
Amounts due from related parties		84,060	72,600
Financial assets at fair value through profit and loss ("FVTPL")		97,321	122,927
Derivative financial instruments		586	–
Restricted bank deposits		951,617	890,887
Bank balances and cash		2,505,979	2,157,975
		14,611,423	13,047,364

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (continued)**
AT 30 JUNE 2023

		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
CURRENT LIABILITIES			
Trade payables	11	2,160,964	2,456,170
Bills payable	12	2,150,699	1,613,341
Other payables and accruals		1,372,321	1,397,636
Contract liabilities		1,613,989	1,041,577
Tax liabilities		125,246	165,701
Borrowings		4,726,877	4,195,517
Amounts due to related parties		29,478	30,057
Lease liabilities		4,553	3,064
Derivative financial liabilities		–	2,270
Provision for warranty		500,069	589,755
		<u>12,684,196</u>	<u>11,495,088</u>
NET CURRENT ASSETS		<u>1,927,227</u>	<u>1,552,276</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,874,835</u>	<u>8,483,247</u>
CAPITAL AND RESERVES			
Share capital		74,704	74,704
Reserves		5,955,756	5,819,442
Equity attributable to owners of the Company		6,030,460	5,894,146
Non-controlling interests		940,671	916,160
TOTAL EQUITY		<u>6,971,131</u>	<u>6,810,306</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		16,000	10,000
Deferred income		234,165	225,895
Borrowings		1,645,201	1,427,050
Lease liabilities		8,338	9,996
		<u>1,903,704</u>	<u>1,672,941</u>
		<u>8,874,835</u>	<u>8,483,247</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 Act 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”) since 7 July 2010.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and most of its subsidiaries. The principal activities of the Company and its subsidiaries (collectively referred to as 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 2023 (the “Period”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

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 2022.

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 additional accounting policies resulting from application of 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 presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of amendments to IFRSs

In the Period, the Group has applied the following amendments to IFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17	Insurance Contracts
Amendments to IFRS 17	Insurance Contracts
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

Except for that has been disclosed above, the application of all other new and amendments to IFRSs in the Period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Lead-acid motive batteries		
Electric bike batteries	9,223,091	7,505,654
Electric car batteries and special-purpose electric car batteries	3,769,007	3,479,291
Li-ion batteries	76,545	154,733
Renewable materials	3,470,460	2,124,513
	<u>16,539,103</u>	<u>13,264,191</u>

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Timing of revenue recognition		
At a point in time	<u>16,539,103</u>	<u>13,264,191</u>

(ii) Performance obligations for contracts with customers

The Group sells lead-acid motive batteries, lithium-ion batteries and other related products to customers. Revenue is recognised when control of the goods has been transferred, and when the goods have been delivered to the customers' specific locations (upon delivery). Following the delivery, the customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when selling the goods and bear the risks of obsolescence and loss in relation to the goods. The Group generally allows a credit period of 45 to 90 days to its trade customers with good trading history, or otherwise sales on cash terms are required.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Wages and salaries	665,076	610,119
Contributions to retirement benefits scheme	36,770	34,685
Labour cost (<i>note i</i>)	50,073	82,585
	<hr/>	<hr/>
Total staff costs	751,919	727,389
	<hr/>	<hr/>
Amortisation of intangible assets	25,670	18,433
Depreciation of property, plant and equipment	334,310	244,623
	<hr/>	<hr/>
Total depreciation and amortisation	359,980	263,056
	<hr/>	<hr/>
Depreciation of investment properties	271	323
Depreciation of right-of-use assets	24,764	2,486
	<hr/>	<hr/>
Cost of inventories sold	14,366,105	11,093,552
	<hr/>	<hr/>
Impairment losses recognised/(reversed) on (<i>note ii</i>):		
— trade receivables	59,500	29,267
— other receivables	208	(2,365)
— amounts due from related parties	506	—
	<hr/>	<hr/>
	60,214	26,902
	<hr/>	<hr/>
Loss on disposal of property, plant and equipment	13,636	14,874
Net foreign exchange losses	3,750	1,116
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The Group has entered into labor dispatch agreements with several service organisations which have provided labor service to the Group.
- (ii) The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
— PRC enterprise income tax	113,149	120,198
Underprovision in prior years		
— PRC enterprise income tax	(17)	1,443
Deferred tax credit	3,145	(11,741)
	116,277	109,900

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax”, a new and high technical enterprise is subject to income tax at a preferential tax rate of 15%. Certain subsidiaries of the Company were qualified as new and high technical enterprises in accordance with the applicable EIT Law of the PRC and are subject to income tax at a preferential tax rate of 15%.

Other subsidiaries established in the PRC were subject to income tax at a rate of 25% for the Period (six months ended 30 June 2022: 25%). The Company and its subsidiaries incorporated in the British Virgin Islands, Germany, Hong Kong and other countries had no assessable profits during the Period (six months ended 30 June 2022: nil).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to the owners of the Company)	254,389	301,258
	1,104,127	1,104,127

	Six months ended 30 June	
	2023	2022
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,104,127	1,104,127

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented because the exercise prices of these shares options were higher than the average market prices of the Company's shares for both periods.

8. DIVIDENDS

During the Period, a final dividend of HKD0.066 (equivalent to RMB0.061) per share in respect of the year ended 31 December 2022 (six months ended 30 June 2022: HKD0.087 (equivalent to RMB0.075) per share in respect of the year ended 31 December 2021) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the Period was HKD72,872,000 (equivalent to RMB67,188,000) (six months ended 30 June 2022: HKD96,059,000 (equivalent to RMB81,777,000)). The final dividend in respect of the year ended 31 December 2022 has been paid in July 2023.

The board of directors of the Company resolved not to pay dividend in respect of the Period (six months ended 30 June 2022: nil).

9. TRADE RECEIVABLES

	30 June 2023	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Trade receivables — contracts with customers	2,969,580	2,898,628
Less: Allowance for credit losses	(723,281)	(663,781)
	<u>2,246,299</u>	<u>2,234,847</u>

The Group normally allows a credit period of 45 to 90 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 2023 and 31 December 2022:

	30 June 2023	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
0–45 days	1,250,074	1,108,552
46–90 days	405,270	438,497
91–180 days	274,768	233,986
181–365 days	155,922	273,200
Over 365 days	160,265	180,612
	<u>2,246,299</u>	<u>2,234,847</u>

10. RECEIVABLES AT FVTOCI

The balance 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.

11. TRADE PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date, at 30 June 2023 and 31 December 2022:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0–30 days	1,476,837	1,419,577
31–90 days	262,547	494,672
91–180 days	219,027	332,659
181–365 days	86,815	69,116
1–2 years	44,974	26,071
Over 2 years	70,764	114,075
	<u>2,160,964</u>	<u>2,456,170</u>

12. BILLS PAYABLE

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

MANAGEMENT DISCUSSION & ANALYSIS

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

For the Period, the Group recorded total revenue of approximately RMB16,539 million (corresponding period in 2022: approximately RMB13,264 million) and gross profit of approximately RMB1,712 million (corresponding period in 2022: approximately RMB1,568 million). The Group's overall gross profit margin was approximately 10.4% (corresponding period in 2022: approximately 11.8%). Profit attributable to owners of the Company was approximately RMB254.4 million (corresponding period in 2022: approximately RMB301.3 million). Basic earnings per share was RMB0.23 (corresponding period in 2022: RMB0.27).

Industry Review

Continued growth in production and ownership of electric bikes

As an important short-distance means of transportation in the People's Republic of China (the "PRC" or "China"), electric bikes have the advantages of being highly efficient, environmentally-friendly and economical. In addition, with "low carbon and environmental protection" and "going intelligent" being the trends, plus such practical factors as rising oil prices and traffic congestion, electric bikes have been gaining growth momentum and penetrating various fields like personal travel and on-demand delivery. From market research findings, there are over 4 million on-demand delivery riders in China using electric bikes to provide takeaway and fresh food to 500 million users. During the Period, with the "Safety Technical Specification for Electric Bicycle" (《電動自行車安全技術規範》) (the "New National Standards") promulgated by the Chinese government gradually implemented across the country, replacement demand for electric bikes climbed. In addition, with the COVID-19 pandemic (the "Pandemic") prevention and control measures fully lifted, it is clear that people have changed their travel habits. More people have opted for transports like electric bikes that can ensure one can travel safe and healthy. That change is going to give a strong drive to electric bikes sales growth. According to the "White Paper on the Development of the Electric Two-wheeled Vehicle Industry in China (2023)" (《中國電動兩輪車行業發展白皮書(2023年)》), approximately 59 million units of electric bikes were produced in China in 2022, representing a year-on-year increase of approximately 8.5%. According to the data of China Bicycle Association, the ownership of electric bikes in the PRC reached 350 million units by the end of 2022.

More standardised regulations for electric tricycles

Demand for delivery service has grown fast alongside rapid development of the e-commerce and logistics industries in the PRC. Electric tricycles, large electric tricycles and special-purpose electric vehicles have become the main transports for short-distance delivery and logistics operations. As a result, the PRC government has tightened regulation of the electric tricycle market with new regulations rolled out in a good number of provinces and cities in the country to set standards and more strictly regulate electric tricycles.

Demand for lead-acid motive batteries remained stable

Since lead-acid motive batteries for electric bikes have a mature market, they are currently still the dominant motive batteries used. For consumers of electric bikes, electric tricycles and electric four-wheelers for seniors who are more price-sensitive, the high cost-performance ratio, stable and reliable performance, high safety and recycling rate of lead-acid motive batteries are seen as merits, thus the batteries will continue to boast a steady market share. In addition, lead-acid motive batteries have a lifespan of approximately two years, meaning the replacement market for them is huge, hence demand will remain stable. As one of the leading enterprises in lead-acid motive batteries, the Group will continue to achieve stable results attributable to the sales of lead-acid motive batteries.

Industry policies favorable to leading enterprises

The New National Standards has been effective since 15 April 2019, with the safety performance requirements of electric bikes and their batteries raised, strictly regulating production specifications and riding of electric bikes nationwide. For electric bikes falling short of the New National Standards, there will be a three-to-five-year transitional management period, after which they will be barred from the road. Policies that promote upgrade and replacement of electric bikes are conducive to the development of leading enterprises producing high quality and high specific energy lead-acid batteries for electric bikes.

On 1 July 2021, the China Bicycle Association issued the association standards titled “Vehicle for delivery-Part 1: Delivery electric bicycle” (《外賣專用車第1部分：外賣電動自行車》), which was officially implemented on 1 September 2021. It specifies the relevant standards and requirements for food delivery electric bikes, thus has provided underpinning support for upgrade and replacement of food delivery electric bikes.

Business Review

Battery business steadily developed

Lead-acid motive batteries are the Group's major products. With in-house research and development ("R&D") capabilities, the Group has kept raising product quality and performance, as such has gained customers' trust, maintained industry leadership, and seen its business growing continuously and steadily. During the Period, revenue from sales of lead-acid motive batteries amounted to approximately RMB12,992 million, accounting for approximately 78.6% of the Group's total revenue, among which sales of electric bikes batteries brought in revenue of approximately RMB9,223 million, accounting for approximately 55.8% of the Group's total revenue, whereas that from sales of electric tricycle batteries and special-purpose electric vehicle batteries were approximately RMB3,769 million, making up approximately 22.8% of the Group's total revenue.

The Group also sells lithium-ion battery products, reflective of its approach of pursuing multi-technology side-by-side, independent R&D and high-end cooperation with international and domestic partners to proactively develop new products with different features and for different fields of application. The revenue for sales of lithium-ion battery products for the Period amounted to approximately RMB77 million.

Continuously refining sales network to reinforce brand influence in the market

The Group has a sales and distribution network that spans across the entire country, covering primary markets as well as secondary markets. For primary markets, the Group has maintained long-term cooperation with a number of leading electric bike manufacturers, providing comprehensive sales services to them through its major customer department. For secondary markets, the Group's distribution network and service outlets cover various provinces and regions across the country, and are complemented by a national service hotline and a comprehensive sales and after-sales service system that supports its online and offline services. During the Period, to bring better services and user experience to customers, the Group carried out innovative reform on its country-wide sales channels and strived to reach more benchmark markets.

The Group will continue to work by its strategic layout, placing production facilities close to its markets. Thus, relevant facilities can be found in areas with higher demand for lead-acid motive batteries, including Shandong, Jiangsu, Henan, Zhejiang, Anhui, Jiangxi and Hebei provinces in the PRC, to help it improve operational efficiency while reducing storage and logistics costs.

On the marketing and promotion front, the Group has engaged renowned movie star Mr. Donnie Yen as brand ambassador for the 19th consecutive year to help it deepen brand influence. After the Pandemic prevention and control measures were lifted, the Group seized the opportunity to step up marketing activities, by placing outdoor advertisements in high-speed railway and buses across the country to enhance our brand awareness; actively carrying out promotional campaigns in the market such as new product launch events and scanning a QR code to get red packets, as well as holding meetings with agents to seek mutual development, terminal promotion conferences and rallies, which effectively boosted the brand influence and sales in the market. Besides, the Group established a live broadcasting e-commerce channel to promote the development of on-line marketing and ramp up exposures of our brand, and held 100km challenges with different renowned electric bikes brands, in which a slew of “CHILWEE Graphene Battery Mileage Challenges” (超威超能石墨烯電池里程挑戰賽) spanned across over 100 cities with stunning results, reflecting enormous strength of “CHILLWEE” battery brand in terms of technology and products. The Group has always adhered to the commitment of providing customer-oriented services and implemented precise marketing to empower customers. It also continued to build the “CHILWEE” brand online and offline using promotional videos to foster deeper connection with customers, all for enhancing its reputation, influence and competitiveness in a continuous manner.

A leading brand in the industry and winner of many market awards

During the Period, the Group continued to retain its place among the “Top 500 Chinese Enterprises” (中國企業500強), “Top 500 Chinese Private-owned Enterprises” (中國民營企業500強) and “Fortune Top 500 Chinese Enterprises” (《財富》中國500強). It was also on the lists of “Top 100 Enterprises in China’s Light Industry” (中國輕工業百強企業), “Top 100 Technological Enterprises in China’s Light Industry” (中國輕工業科技百強企業) and the “China’s Top 500 New Economy Enterprises” (中國新經濟企業500強), and for the 11th consecutive year ranked first on the list of “Top 10 Enterprises of New Energy Battery Industry in China’s Light Industry” (中國輕工業新能源電池行業十強企業). In addition, for its strong scientific and technological innovation strength and outstanding achievements, the Group made it among the “Top 500 National Technological Innovation Enterprises” (全國科技創新企業500強) and “China Enterprise Patent Strength Top 500” (中國企業專利實力500強).

Insisting on seeking drive from technological innovation and leading continuous industry development

The Group has sought drive to develop, first and foremost, from scientific and technological innovation. It has continued to expand its talent pool and enhance R&D capabilities. It endeavors to show its excellent strengths and lead industry development with the high-end product quality. During the Period, the Group’s R&D expenses amounted to approximately RMB497 million, representing approximately 3% of the Group’s total revenue.

The Group has devoted years on the graphene realm to implement its layout in research and was the first enterprise in the industry to study the application of graphene in lead-acid motive batteries. The Group relentlessly speeded up breakthrough of novel battery technology and launched the second generation graphene battery series of “CHILLWEE” and superconducting graphene battery series of “Emperor of Kong Fu” (功夫皇帝) endorsed by Mr. Donnie Yen, seizing the commanding height in the technology contest of the industry. Currently, the Group holds 36 patents in relation to applying graphene battery technology in lead-acid batteries, speaking volumes to the ability of the Group to achieve technological innovation breakthroughs and the advantages of its products.

As at 30 June 2023, the Group had recruited over 19 renowned experts in and outside the country. In addition, it has started strategic cooperation with Professor Andre Geim, who was awarded the Nobel Laureate in Physics, to undertake R&D of graphene battery technology. Furthermore, the Group is a designated National Model Enterprise of Technological 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), and has established such R&D platforms as an enterprise technology centre, a laboratory, a national environmental protection engineering technology centre, a provincial key enterprise research institute, an academician workstation, a national post-doctoral scientific research workstation, and a national environmental protection lead-acid battery production and recycling pollution prevention engineering technology centre, all nationally recognised, and also a number of technology R&D centers overseas. Moreover, as a leading enterprise in the battery industry, the Group has actively participated in formulating a number of industry standards, contributing its humble strength to the development of the industry.

Future Development Strategies

Celebrating its 25th anniversary in 2023, the Group will, with yet greater determination and enthusiasm, work to seize new industry opportunities brought by the “Carbon Peaking and Carbon Neutrality” strategy of the country to achieve better performance and open a new chapter. Going ahead, it will continue to enhance its brand image underpinned by the new “Reaching for the Top” strategic brand positioning, persist in product, marketing and service innovation, all to the end of creating value for the mass consumers.

Although situations in and outside the country are changing, the Chinese economy has been stable and heading for the better, boasting outstanding potential, great resilience, strong vitality and its long-term growth prospect remains unchanged. The Group will closely monitor market changes and adjust its marketing and production strategies actively heeding situations in the continuously recovering economy. It expects the overall lead-acid battery market to maintain steady growth in the second half of 2023. In the future, the Group will continue to focus on developing motive batteries, putting out high-efficiency motive battery products that afford more superior performance, longer lifespan and more environmentally-friendly to fulfill its development mission of “Advocate Green Energy, Perfect Human Life” (倡導綠色能源，完美人類生活) and strive to become a leading global manufacturer, operator and service provider of new energy. Its vision is to provide the world with the Group’s green energy and claim a place among the top 10 new energy enterprises in the world.

Financial Review

Revenue

The Group’s revenue for the Period amounted to approximately RMB16,539,103,000, representing an increase of approximately 24.7% from approximately RMB13,264,191,000 for the corresponding period in 2022. The increase in revenue was mainly due to an increase in sales of electric bike batteries and renewable materials.

Gross profit

The Group’s gross profit for the Period amounted to approximately RMB1,712,264,000, representing an increase of approximately 9.2% from approximately RMB1,567,589,000 for the corresponding period in 2022. The Group’s gross profit margin for the Period was approximately 10.4% (the corresponding period of 2022: approximately 11.8%). The decrease in gross profit margin was primarily due to an increase in the proportion of revenue from renewable materials which has a relatively lower gross profit margin.

Other income

The Group’s other income for the Period amounted to approximately RMB157,152,000, representing a decrease of approximately 39.0% compared to approximately RMB257,436,000 for the corresponding period in 2022. The decrease was mainly due to a decrease in the government grants received during the Period.

Distribution and selling expenses

The Group's distribution and selling expenses for the Period amounted to approximately RMB428,227,000, representing a decrease of approximately 3.5% from approximately RMB443,964,000 for the corresponding period in 2022, which was primarily attributable to a decrease in advertisement and commission expenses during the Period.

Administrative expenses

The Group's administrative expenses for the Period were approximately RMB308,766,000, representing a decrease of approximately 3.5% from approximately RMB319,979,000 for the corresponding period in 2022, which was primarily due to a decrease in consultation fee and depreciation expenses incurred during the Period.

R&D expenses

The Group's R&D expenses for the Period amounted to approximately RMB497,113,000, representing an increase of approximately 1.7% from approximately RMB488,804,000 for the corresponding period in 2022, which was primarily due to an increase in R&D expenditure on lead-acid motive batteries and other new technology products during the Period.

Finance costs

The Group's finance costs for the Period increased by approximately 15.5% from approximately RMB169,343,000 for the corresponding period of 2022 to approximately RMB195,528,000, which was primarily due to an increase in interest expenses of bank borrowings during the Period.

Profit before taxation

For the above reasons, the Group's profit before tax for the Period decreased by approximately 2.3% to approximately RMB407,606,000 (the corresponding period of 2022: approximately RMB417,176,000).

Taxation

The Group's income tax expenses for the Period increased by approximately 5.8% to approximately RMB116,277,000 (the corresponding period of 2022: approximately RMB109,900,000). The effective tax rate for the Period was approximately 28.5% compared to approximately 26.3% for the corresponding period in 2022. The higher in effective tax rate in the Period was mainly due to a decrease in deferred tax credit.

Profit attributable to owners of the Company

Due to the reasons above, the profit attributable to owners of the Company for the Period amounted to approximately RMB254,389,000, representing a decrease of approximately 15.6%, from approximately RMB301,258,000 for the corresponding period in 2022.

Liquidity and financial resources

As at 30 June 2023, the Group had net current assets of approximately RMB1,927,227,000 (31 December 2022: approximately RMB1,552,276,000), of which cash and bank balances were approximately RMB2,505,979,000 (31 December 2022: approximately RMB2,157,975,000). Net debt, including borrowings, lease liabilities and deducting cash and bank deposits (including restricted bank deposits), were approximately RMB2,927,373,000 (31 December 2022: approximately RMB2,586,765,000). The borrowings were mainly used to finance capital expenditure, the purchases of raw materials and operations of the Group. They were denominated in RMB, USD or HKD, of which approximately RMB2,986,144,000 bore interests at fixed rates and approximately RMB4,726,877,000 were repayable within 1 year. The Group adopted centralised financing and treasury policies in order to ensure that the Group's funding is utilised efficiently and it monitors its interest rate risks in a conservative manner.

As at 30 June 2023, the Group's current ratio (current assets/current liabilities) was approximately 1.15 (31 December 2022: approximately 1.14) and gearing ratio (net debt/total assets) was approximately 13.6% (31 December 2022: approximately 12.9%). The Group had sufficient cash and available banking facilities to meet its commitments and working capital requirements. The current cash position enables the Group to explore potential investment and potential 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 RMB, the Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks.

Pledge of assets

At the end of the 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:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Buildings	638,609	689,132
Right-of-use assets	104,941	107,666
Deposits for borrowings	1,500	25,150
Receivables at FVTOCI	1,584,108	1,658,065
Restricted bank deposits	951,617	890,887
Inventory	83,576	82,574

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

Human resources and employees' remuneration

As at 30 June 2023, the Group employed a total of 17,973 (30 June 2022: 16,025) staff members in the PRC and Hong Kong. During the Period, the total cost of employees amounted to approximately RMB751,919,000 (the corresponding period of 2022: approximately RMB727,389,000). 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 to their work and to leverage their capabilities in serving its customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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 its shareholders. The Company has complied with all code provisions of the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) throughout the Period, except for deviation as stated below.

Code provision C.2.1 of the CG 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 maximises 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 during 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 systems. The Audit Committee comprises all three independent non-executive Directors, namely Mr. Lee Conway Kong Wai (“Mr. Lee”), 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, Ernst & Young, 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 the 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, Ernst & Young, 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 2023 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 the shareholders of the Company 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

Changxing, Zhejiang Province, the PRC, 29 August 2023

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 Prof. OUYANG Minggao, Mr. LEE Conway Kong Wai and Mr. NG Chi Kit.