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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 2024

FINANCIAL HIGHLIGHTS

- Revenue for the Period was approximately RMB21,236 million (the corresponding period of 2023: approximately RMB16,539 million).
- Gross profit for the Period was approximately RMB1,614 million (the corresponding period of 2023: approximately RMB1,712 million).
- Profit attributable to owners of the Company for the Period was approximately RMB203.4 million (the corresponding period of 2023: approximately RMB254.4 million).
- Basic earnings per share for the Period amounted to RMB0.18 (the corresponding period of 2023: RMB0.23).
- 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 2024 (the “Period”), together with the comparative figures for the corresponding period of 2023. 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 2024

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	21,236,322	16,539,103
Cost of sales		(19,622,114)	(14,826,839)
Gross profit		1,614,208	1,712,264
Other income		391,175	157,152
Other gains and losses		(70,148)	6,227
Impairment losses under expected credit loss model, reversed/(recognised)		19,777	(60,214)
Distribution and selling expenses		(442,537)	(428,227)
Administrative expenses		(317,946)	(308,766)
Research and development expenses		(555,867)	(497,113)
Finance costs		(230,246)	(195,528)
Share of results of associates		(38)	37
Share of results of joint ventures		(61)	21,774
Profit before tax	5	408,317	407,606
Income tax expense	6	(95,724)	(116,277)
Profit for the period		312,593	291,329
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(212)	269
Fair value loss on receivables at fair value through other comprehensive income ("FVTOCI")		(4,393)	(11,901)
Other comprehensive expense for the period, net of income tax		(4,605)	(11,632)
Total comprehensive income for the period		307,988	279,697
Profit for the period attributable to:			
Owners of the Company		203,355	254,389
Non-controlling interests		109,238	36,940
		312,593	291,329
Total comprehensive income for the period attributable to:			
Owners of the Company		198,750	242,757
Non-controlling interests		109,238	36,940
		307,988	279,697
Earnings per share			
— Basic and diluted (<i>RMB</i>)	7	0.18	0.23

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2024

	<i>Notes</i>	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		4,510,003	4,751,420
Right-of-use assets		657,138	667,339
Investment properties		564	564
Goodwill		49,447	49,447
Intangible assets		134,824	141,913
Interests in joint ventures		58,929	58,990
Interests in associates		43,931	39,969
Equity instruments at FVTOCI		60,300	42,300
Loans receivable		53,831	51,920
Deferred tax assets		511,055	553,150
Deposits paid for acquisition of property, plant and equipment		267,273	280,966
		6,347,295	6,637,978
CURRENT ASSETS			
Inventories		5,157,858	4,473,315
Loans receivable		5,108	5,108
Trade receivables	9	2,616,059	1,561,404
Receivables at FVTOCI	10	3,413,085	3,411,077
Prepayments, other receivables and other assets		1,289,443	878,679
Financial assets at fair value through profit and loss (“FVTPL”)		77,131	96,994
Derivative financial assets		578	–
Amounts due from related parties		136,792	150,902
Restricted bank deposits		1,160,047	1,036,265
Bank balances and cash		2,832,550	3,540,761
		16,688,651	15,154,505

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (continued)**
30 JUNE 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
CURRENT LIABILITIES			
Derivative financial liabilities		–	266
Trade payables	11	1,615,348	1,582,586
Bills payable	12	3,821,903	2,255,100
Other payables and accruals		1,524,266	1,524,416
Contract liabilities		1,178,519	1,600,107
Provision for warranty		565,861	530,957
Tax liabilities		27,005	100,195
Lease liabilities		8,530	4,886
Amounts due to related parties		26,946	46,669
Borrowings		5,075,805	5,208,025
		<u>13,844,183</u>	<u>12,853,207</u>
NET CURRENT ASSETS		<u>2,844,468</u>	<u>2,301,298</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,191,763</u>	<u>8,939,276</u>
CAPITAL AND RESERVES			
Share capital		74,704	74,704
Reserves		6,209,641	6,064,299
Equity attributable to owners of the Company		6,284,345	6,139,003
Non-controlling interests		1,164,679	1,057,804
TOTAL EQUITY		<u>7,449,024</u>	<u>7,196,807</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		6,264	9,000
Lease liabilities		3,693	5,865
Borrowings		1,530,714	1,504,951
Deferred income		202,068	222,653
		<u>1,742,739</u>	<u>1,742,469</u>
		<u>9,191,763</u>	<u>8,939,276</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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”) with effect from 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 2024 (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 2023.

3. PRINCIPAL ACCOUNTING POLICIES

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in consolidated financial statements. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ³
Amendments to IAS 21	<i>Lack of Exchange ability</i> ²
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ⁴

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after 1 January 2026

⁴ Effective for annual periods beginning on or after 1 January 2027

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group’s financial performance and financial position.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Wages and salaries	722,721	665,076
Contributions to retirement benefits scheme	48,751	36,770
Labour cost (<i>note i</i>)	51,048	50,073
	<hr/>	<hr/>
Total staff costs	822,520	751,919
	<hr/>	<hr/>
Amortisation of intangible assets	63,282	25,670
Depreciation of property, plant and equipment	404,049	334,310
	<hr/>	<hr/>
Total depreciation and amortisation	467,331	359,980
	<hr/>	<hr/>
Depreciation of investment properties	–	271
Depreciation of right-of-use assets	16,253	24,764
	<hr/>	<hr/>
Cost of inventories sold	19,622,114	14,366,105
	<hr/>	<hr/>
Impairment losses recognised/(reversed) on (<i>note ii</i>):		
— trade receivables	6,885	59,500
— other receivables	(4,957)	208
— amounts due from related parties	(21,705)	506
	<hr/>	<hr/>
	(19,777)	60,214
	<hr/>	<hr/>
Loss on disposal of property, plant and equipment	7,159	13,636
Net foreign exchange (gain)/loss	(770)	3,750
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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 2024 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
— PRC enterprise income tax	59,252	113,149
Overprovision in prior years		
— PRC enterprise income tax	(4,346)	(17)
Deferred tax	40,818	3,145
	95,724	116,277

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 2023: 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 2023: 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	
	2024	2023
	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)	203,355	254,389
	1,104,127	1,104,127

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share

1,104,127	1,104,127
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No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2024 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the current period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2023 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 the period.

8. DIVIDENDS

During the Period, a final dividend of HKD0.053 (equivalent to RMB0.048) per share in respect of the year ended 31 December 2023 (six months ended 30 June 2023: HKD0.066 (equivalent to RMB0.061) per share in respect of the year ended 31 December 2022) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the Period was HKD58,519,000 (equivalent to RMB53,408,000) (six months ended 30 June 2023: HKD72,872,000 (equivalent to RMB67,188,000)). The final dividend in respect of the year ended 31 December 2023 has been paid in July 2024.

The board of directors of the Company resolved not to pay dividend in respect of the Period (six months ended 30 June 2023: nil).

9. TRADE RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables — contracts with customers	3,217,465	2,199,567
Less: Allowance for credit losses	(601,406)	(638,163)
	<u>2,616,059</u>	<u>1,561,404</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 2024 and 31 December 2023:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
0–45 days	1,260,864	864,298
46–90 days	577,426	204,244
91–180 days	559,153	219,493
181–365 days	78,927	109,709
Over 365 days	139,689	163,660
	<u>2,616,059</u>	<u>1,561,404</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 2024 and 31 December 2023:

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
0–30 days	891,327	873,249
31–90 days	519,562	509,025
91–180 days	46,105	26,555
181–365 days	25,829	37,062
1–2 years	36,232	42,355
Over 2 years	96,293	94,340
	<u>1,615,348</u>	<u>1,582,586</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 manufacturing and selling 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 RMB21,236 million (corresponding period in 2023: RMB16,539 million) and gross profit of approximately RMB1,614 million (corresponding period in 2023: RMB1,712 million). Overall gross profit margin was approximately 7.6% (corresponding period in 2023: 10.4%). Profit attributable to owners of the Company was approximately RMB203.4 million (corresponding period in 2023: RMB254.4 million). Basic earnings per share were RMB0.18 (corresponding period in 2023: RMB0.23).

Industry Review

Policy support and market demand drove high-quality development of electric bikes

As an important means of short-haul transportation in the People's Republic of China (the "PRC" or "China"), electric bikes boast the advantages of being highly efficient, environmentally-friendly and economical. With "low carbon and environmental protection" and "going intelligent" being the trends, plus such practical situations as rising oil prices and traffic congestion in urban areas at play, electric bikes, being used in increasingly more scenarios including personal travel and on-demand delivery, have been gaining growth momentum. Driven by both policy support and market demand, China's on-demand delivery industry has seen strong development. According to research data from Frost & Sullivan, in 2023, the number of on-demand delivery orders in China reached approximately 40.88 billion, representing a year-on-year increase of more than 22.8%, and the estimated number by 2028 is 81.31 billion, with the average annual growth rate stable at 14.7%. With the Chinese government pushing to implement the "Safety Technical Specification for Electric Bike" (《電動自行車安全技術規範》) (the "New National Standards") across the country, the grace period for implementing the New National Standards ended in 2022 in many provinces and cities, but for some, it has been extended to 2025, which has driven the replacement demand for electric bikes.

According to the White Paper on the Development of the Electric Two-wheeled Vehicle Industry in China (2024)" (《中國電動兩輪車行業發展白皮書(2024年)》), approximately 67.4 million electric bikes were produced in China in 2023, representing a year-on-year increase of approximately 4.5%. According to the data of China Bicycle Association, it is estimated that the ownership of electric bikes in the PRC will reach approximately 350 million units by the end of 2024.

Strengthened regulation of electric tricycles to promote upgrade and industry consolidation

The e-commerce and logistics industries in the PRC developed rapidly in recent years, and that has started the demand for delivery service on the growth track. Electric tricycles, large electric tricycles and special-purpose electric vehicles, which are environmentally-friendly, low-cost and user-friendly, have become the main transports for short-haul delivery and logistics operations. In light of that, the country has stepped up regulation of electric tricycles and a good number of provinces and cities have rolled out new regulations recently. In Beijing, the authority has announced the implementation of “one vehicle, one battery and one code” (一車一池一碼) rule and signed the “Letter of Responsibility of Electric Bikes and Batteries Manufacturers and Operators for Compliance with Laws and Regulations” (《電動自行車及蓄電池生產經營主體依法合規經營責任書》) with enterprises, clearly stipulating that non-compliant electric tricycles would not be allowed on the road starting from 1 January 2024. The new policy can help promote replacement demand for electric tricycles, eliminate non-compliant and unqualified electric tricycle enterprises, therefore speed up industry consolidation.

On 12 April 2024, 14 departments including the Ministry of Commerce of the PRC jointly issued the “Action Plan to Promote Consumer Good Trade-in” (《推動消費品以舊換新行動方案》). The report proposes to ramp up relevant supportive financial policies and insist on coordination between central finance and local government efforts to help gradually establish an effective trade-in mechanism, in turn promote continuous increase in consumption for the industry. It also urges relevant departments to, with trade-in practices of vehicles and home appliances as reference, commence studies on and promote the same for electric bikes, so as to effectively prevent and control the safety risks of old electric bikes. Such measures boost the bike renewal and replacement scale, accelerate the elimination of outdated products and equipment, improve safety standards, and promote high-end, intelligent and green development of the industry, which are conducive to the upgrade/replacement of electric tricycles and industry consolidation.

Demand for lead-acid motive batteries remained stable

In recent years, with green transportation modes rapidly developing in the PRC, lead-acid motive batteries, as a type of motive battery, have been widely used in electric bikes and market demand for them has continued to grow. Boasting such advantages as highly cost effective, safe and stable to use, having versatile applications and a high recycling rate, plus consumers of electric bikes, electric tricycles and electric four-wheelers for the elderly are relatively more price-sensitive, lead-acid motive batteries are expected to continue to enjoy substantial competitive advantage in the electric bike market. In addition, as lead-acid batteries have a two-year replacement cycle, the replacement market is huge braced by stable demand.

Industry policies favorable to leading enterprises

In recent years, the Chinese Government has continued to strengthen regulation of the electric bike and battery industries to drive upgrade and healthy development of the electric bike industry. In April 2024, three departments including the Ministry of Industry and Information Technology of the PRC (“MIIT”) jointly issued the “Standard Conditions of Electric Bike Industry” (《電動自行車行業規範條件》) and the “Management Measures for the Announcement on Electric Bike Industry Standard” (《電動自行車行業規範公告管理辦法》), which contain standards and conditions formulated based on such principles as reasonable planning, quality assurance, innovation and upgrade, and safe production to strengthen management of the electric bike industry, promote standardisation of electric bike companies and improve the quality and safety standard of electric bike products, thereby drive high-quality development of China’s electric bike industry. Moreover, the “Safety Technical Specification of Lithium-ion Batteries for Electric Bikes” (《電動自行車用鋰離子蓄電池安全技術規範》) (GB43854-2024), a mandatory national standard drafted by the MIIT, has been published by the National Standards Committee of the State Administration for Market Regulation and will formally take effect on 1 November 2024. By then, all lithium-ion batteries for electric bikes to be sold in the country must meet required national standards. Those standards can effectively regulate the design, manufacturing and sale of lithium-ion batteries for electric bikes, thereby help improve the quality of relevant products.

Business Review

Lead-acid motive battery business maintained steady growth

Lead-acid motive batteries are the Group’s major products. Affording strong technological capability and superior product quality, coupled with well-established market channels and long-standing brand effect, the Group has been able to maintain leadership in the lead-acid motive batteries industry. Given the mature lead-acid motive battery production technology, the reliable performance and good compatibility of the batteries, meeting requirements in the scenarios of using electric bikes, lead-acid batteries have competitive edge for development in the electric bike market. Currently, lead-acid motive batteries account for a substantial share in the battery market in the PRC. For the Period, revenue from sales of lead-acid motive batteries was approximately RMB12,658 million, accounting for approximately 59.6% of the Group’s total revenue. Sales of electric bikes batteries brought in revenue of approximately RMB8,596 million, accounting for approximately 40.5% of the Group’s total revenue, and revenue from sales of electric vehicle batteries and special-purpose electric vehicle batteries was approximately RMB4,062 million, making up approximately 19.1% of the Group’s total revenue.

Lithium-ion battery business maintaining solid development

Rapid development of China's new energy automobile and electric bike industries in recent years has commanded lithium-ion motive batteries to meet higher safety, service life, energy efficiency and environmental-friendliness requirements. By developing and using new materials, technologies and processes, the Group has obtained such professional certifications as the "National Torch Program Industrialisation Demonstration Project Certificate" for its lithium-ion batteries project. Adhering to the multi-technology strategy and the approach of combining its own research and development ("R&D") efforts and cooperation with institutions and high schools with international and domestic entities, the Group has continued to improve the quality of its products and focus on developing new products with different features in different areas of application. During the Period, sales revenue of its lithium-ion battery products amounted to approximately RMB65 million.

Extensive coverage of reusable materials recycling business

The Group fully embraces extended producer responsibility. Relying on its agents and primary sales network across the country, it has led in launching a pilot recycling control system that covers major cities adopting the "trade-in and reverse logistics" tactic. It established a standardised offline recycling and storage system that has enabled it to achieve nationwide standardised recycling network coverage and green development throughout the life cycle of its products. At the same time, it has actively explored a green supply chain model for lead-acid batteries and subsequently set up the Beijing, Tianjin, and Hebei Storage Battery Alliances for Environmental Protection, aiming to realise integrated and synergistic development of battery production, and waste battery recycling, disposal and utilisation in the Beijing-Tianjin-Hebei region.

Regarding management and control, the Group has developed a proprietary IoT management system, which can be connected to manufacturers, recyclers, dealers, logistics providers, renewable energy companies and financial institutions, therefore covers the entire life cycle of batteries. Capable of integrating information of battery production, sales and recycling, transportation vehicles, collection points and centralised transfer points, and cross-regional transfer, the system affords real-time visual tracking of the battery transfer process allowing the Group to manage the entire waste lead-acid battery circulation process. With the system's data monitoring and control chain, the Group can trace the status of waste lead-acid batteries from "source to destination, and the supervising responsibility along the way" to effectively prevent the waste lead-acid batteries from ending up in that hands of unqualified units for treatment and disposal. The system can help reduce environmental risks and provide reliable data to government departments for formulating policies.

Continuously refining sales network to strengthen brand influence in the market

The Group has sales and distribution networks deployed across China to serve both primary and secondary markets. For primary markets, the Group has maintained long-term cooperation with a number of top electric bike manufacturers and has dedicated departments to provide all-round sales services to major customers. For secondary markets, it has an extensive distribution network that covers all provinces and regions in the country, complemented by a national service hotline, a part of its comprehensive sales service system that reaches customers on and offline, covers delivery to installation, and renders pre-sale to after-sale services.

The Group has continued to expand overseas into markets in such as Southeast Asia and Africa. At the same time, the Group has explored potential cooperation with overseas enterprises. As a perennial exhibitor at the Canton Fair, the longest-standing and largest comprehensive international trade event in China, the Group displays its latest technological products that capture the interest of many business partners from all over the world. During the Period, at the 20th Vietnam International Automobile, Motorcycle, E-motorcycle and Parts & Accessories Exhibition (第20屆越南國際汽車摩托車電動車及零配件展), the Group showcased a wide range of products with focus on the Vietnamese market and new technologies, drawing not only limelight at the exhibition, but also the eyes of Southeast Asian merchants.

On the marketing front, with a market demand-oriented mindset, the Group has worked hard at innovation in terms of product, marketing and service. During the Period, the Group launched a number of marketing campaigns, including, among others, hosting the CHILWEE New Energy Marketing Summit 2024, where new energy agents from all around the country gathered to explore the industry's development trend, and share achievements in developing cutting-edge technologies. Such interaction and joint efforts had enabled the Group to come up with a new blueprint to grasp market development trends and strengthen its brand image, thereby created more potential growth opportunities and value that agree with the interests of the Group and its partners. In addition, the Group had also formed a "Battery Doctor Service Team" to provide free battery testing services to the general public. The team's services, such as battery maintenance, testing, battery safety instruction and electric bikes repairing, has won favorable comments from residents. During the Period, the Group's project named "Promoting Green and Low-Carbon Transformation by Green Management Throughout Life Cycle" (全生命週期綠色化管理推進綠色低碳轉型) was selected as a model green and low-carbon project in Zhejiang province, which helped cement the Group's market position in terms of environmental performance. On brand promotion, for 21 consecutive years, the Group has engaged the famous movie star Mr. Donnie Yen as its brand ambassador to keep deepening its brand influence.

The Group will continue to work by the strategy of placing production facilities close to its markets. Its 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, allowing it to improve operational efficiency while reducing storage and logistics costs.

A leading and multi-award winning brand in the industry

The Group, as a leading brand in the motive battery industry, capitalises on its strong technological leadership, customer-centric service approach, product and service foundation, and brand value at the core, has kept giving new connotations and value to its brand. Its high-quality development has earned industry recognition and helped fortify its leadership in the field. During the Period, the Group continued to make 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 Companies” (《財富》中國500強) lists, and also claimed a place on such heavyweight lists as the “Top 500 Chinese Energy Enterprises (Group)” (中國能源企業(集團)500強), “Global Top 500 New Energy Enterprises” (全球新能源企業500強), “China’s Top 500 New Economy Enterprises” (中國新經濟企業500強) and “Top 500 Chinese Enterprise in Patent Strength” (中國企業專利實力500強). With strong technological innovation capability and brand influence, it was also honored on the “China Brand Value Evaluation Information List” (中國品牌價值評價信息榜).

Insisting on technological innovation to lead industry development

Technological innovation is key to an enterprise gaining competitive advantage. Holding fast the belief of technological innovation being the power, first and foremost, driving development, the Group has continued to expand its talent pool, enhance R&D capabilities and, via the high-end products carrying the “CHILWEE” brand, show its excellent strengths and lead industry development. During the Period, it spent approximately RMB556 million on R&D, equivalent to approximately 2.6% of the Group’s total revenue.

For some years, the Group has had its eyes on the graphene battery field and was the first enterprise in the industry to study the application of graphene in lead-acid batteries. Currently, it holds 39 patents in relation to application of graphene battery technology in lead-acid batteries, speaking volumes to its ability to achieve technological innovation breakthroughs and the advantages of its products. During the Period, the Group unveiled its new product “Andre Heim Technical Guidance Battery” at the 16th Chongqing International Battery Technology Exhibition. The product, which was developed led by Nobel Laureate Professor Andre Heim, who discovered graphene, became the center of attention at the event because of its leading product technology and the Group’s comprehensive brand strength, drawing great attention from experts, customers and consumers at home and from abroad.

As at 30 June 2024, the Group had employed more than 20 renowned experts from in and outside the country as staff, which is a testament to its competitiveness on the talent front. In addition, the Group was included into the “First Batch of Benchmark Teaching Sites for Enterprise Operation and Management Talent in the Quality Improvement Projects” (首批企業經營管理人才素質提升工程標杆教學點) by MIIT and was also named among the “Top 10 Enterprises with Strong Talent Pipelines” (人才強企) in Huzhou, the PRC. The Group is also a National Model Enterprise of Technological Innovation and a National Model Enterprise of Intellectual Property and has established R&D platforms including a nationally-recognised enterprise technology center, a nationally-accredited laboratory, a national environmental protection engineering technology center, a provincial key enterprise research institute, an academicians workstation, a national post-doctoral scientific research workstation, and a national environmental protection lead-acid battery production and recycling pollution prevention engineering technology center, as well as a number of technology R&D centers overseas. The Group has always placed great emphasis on green efficiency. During the Period, the production line of integrated lead-carbon storage battery developed by the Group passed provincial appraisal, earning high recognition for its leading standard in the PRC. As a leading enterprise in the battery industry, the Group has actively participated in formulating various industry standards, contributing the “CHILWEE” power to help the industry develop.

Future Development Strategies

The Group will seize new industry opportunities brought by the country’s “dual-carbon” strategy with yet greater determination and enthusiasm. Focusing on “new technologies, new materials and new products”, it will continue to innovate in such key technological areas as new energy batteries, key materials and high safety technologies, aiming to reach new heights and open new chapter of development. Looking ahead, the Group will follow through its mission of “to benefit the world with CHILWEE green energy” and march in firm strides on the green development path to build the “zero-carbon CHILWEE” and “Smart CHILWEE”. It will continue to formulate plans with a global perspective heeding international standards and strive to keep breaking new grounds in its quest for high-quality development. Building on its strong technological leadership, focus on customers, product and service foundation and embrace of brand value, the Group will continue to give its brand new connotations and value and create value for consumers.

The Group will pay close attention to market changes and actively adjust its marketing and production strategies as commanded by the recovering domestic economy. It expects the overall lead-acid battery market to continue to grow at a steady pace in the second half of 2024. In the future, upholding its spirit of innovation and with products of excellent quality, the Group will continue to consolidate its leadership in the PRC battery market, and at the same time seize opportunities to deepen overseas market penetration and promote the extensive application of new energy technologies worldwide, and ultimately the Group's brand reputation to all. The Group will continue to focus on motive batteries, develop high-efficiency battery products with better performance, longer life and more environmentally-friendly. It will also keep enhancing its new brand image by insisting on product innovation, marketing innovation and service innovation. Its aspiration is to become a world-leading new energy manufacturer, operator and service provider, and benefit the world with the Group's green energy, achieving the vision of making it among the top 10 new energy enterprises in the world and drawing a grand blueprint to guide the future development of "CHILWEE" new energy.

Financial Review

Revenue

The Group's revenue for the Period amounted to approximately RMB21,236,322,000, representing an increase of approximately 28.4% from approximately RMB16,539,103,000 for the corresponding period in 2023. The increase in revenue was mainly due to an increase in sales of renewable materials.

Gross profit

The Group's gross profit for the Period amounted to approximately RMB1,614,208,000, representing a decrease of approximately 5.7% from approximately RMB1,712,264,000 for the corresponding period in 2023. The Group's gross profit margin for the Period was approximately 7.6% (the corresponding period of 2023: approximately 10.4%). The decrease in gross profit margin was primarily due to an increase in the 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 RMB391,175,000, representing an increase of approximately 148.9% compared to approximately RMB157,152,000 for the corresponding period in 2023. The increase was mainly due to an increase 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 RMB442,537,000, representing an increase of approximately 3.3% from approximately RMB428,227,000 for the corresponding period in 2023, which was primarily attributable to an increase in staff costs and transportation expenses during the Period.

Administrative expenses

The Group's administrative expenses for the Period were approximately RMB317,946,000, representing an increase of approximately 3% from approximately RMB308,766,000 for the corresponding period in 2023, which was primarily due to an increase 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 RMB555,867,000, representing an increase of approximately 11.8% from approximately RMB497,113,000 for the corresponding period in 2023, 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 17.8% from approximately RMB195,528,000 for the corresponding period of 2023 to approximately RMB230,246,000, 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 increased slightly by approximately 0.2% to approximately RMB408,317,000 (the corresponding period of 2023: approximately RMB407,606,000).

Taxation

The Group's income tax expenses for the Period decreased by approximately 17.7% to approximately RMB95,724,000 (the corresponding period of 2023: approximately RMB116,277,000). The effective tax rate for the Period was approximately 23.4% compared to approximately 28.5% for the corresponding period in 2023. The lower in effective tax rate in the Period was mainly due to the fact that subsidiaries with lower tax rate contribute more profit during the Period.

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 RMB203,355,000, representing a decrease of approximately 20.1%, from approximately RMB254,389,000 for the corresponding period in 2023.

Liquidity and financial resources

As at 30 June 2024, the Group had net current assets of approximately RMB2,844,468,000 (31 December 2023: approximately RMB2,301,298,000), of which cash and bank balances were approximately RMB2,832,550,000 (31 December 2023: approximately RMB3,540,761,000). Net debt, including borrowings, lease liabilities and deducting cash and bank deposits (including restricted bank deposits), were approximately RMB2,626,145,000 (31 December 2023: approximately RMB2,146,701,000). 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 RMB3,133,658,000 bore interests at fixed rates and approximately RMB5,075,805,000 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 2024, the Group's current ratio (current assets/current liabilities) was approximately 1.21 (31 December 2023: approximately 1.18) and gearing ratio (net debt/total assets) was approximately 11.4% (31 December 2023: approximately 9.9%). 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 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Buildings	263,601	458,022
Right-of-use assets	144,890	78,915
Deposits for borrowings	–	12,256
Receivables at FVTOCI	2,401,864	2,128,772
Restricted bank deposits	1,160,047	1,036,265
Inventory	433,883	325,139

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2024 (31 December 2023: Nil).

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2024, the Group employed a total of 15,654 (30 June 2023: 17,973) staff members in the PRC and Hong Kong. During the Period, the total cost of employees amounted to approximately RMB822,520,000 (the corresponding period of 2023: approximately RMB751,919,000). 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.

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant investments held as at 30 June 2024, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period, nor was there any plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares (including sale of treasury shares) during the Period.

As at 30 June 2024, the number of treasury shares held by the Company is nil.

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 "Code") contained in Appendix C1 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 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 C3 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"), Mr. Ng Chi Kit and Mr. Sun Wenping. 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 D2 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 2024 interim report for the Period will be dispatched to the shareholders of the Company (if request) and published 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 2024

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. LEE Conway Kong Wai, Mr. NG Chi Kit and Mr. SUN Wenping.