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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue for the Year was approximately RMB27,182 million (2018: approximately RMB26,948 million), representing an increase of approximately 0.9% over last year.
- Gross profit for the Year was approximately RMB3,393 million (2018: approximately RMB3,235 million), representing an increase of approximately 4.9% over last year.
- Profit attributable to the owners of the Company for the Year was approximately RMB561 million (2018: approximately RMB413 million), representing an increase of approximately 36.0% over last year .
- Basic earnings per share for the Year amounted to RMB0.51 (2018: RMB0.37).
- The Board proposed to declare a final dividend of HKD0.084 per share for the Year (2018: HKD0.066), which will be subject to shareholders' approval at the Annual General Meeting, representing a total distribution of approximately HKD92.7 million (2018: approximately HKD73.1 million) for the Year.

ANNUAL 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 audited financial results and financial position of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Year") together with the comparative figures for the year ended 31 December 2018. These financial results have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
Revenue	*3*	**27,181,732**	26,948,237
Cost of sales		**(23,788,459)**	(23,712,969)
Gross profit		**3,393,273**	3,235,268
Other income and other gains		**308,880**	274,231
Distribution and selling expenses		**(828,010)**	(917,817)
Administrative expenses		**(632,801)**	(630,693)
Research and development expenses		**(797,570)**	(884,914)
Other expenses and other losses		**(62,957)**	(45,865)
Impairment losses recognised, net of reversal		**(232,449)**	(88,126)
Finance costs	*4*	**(300,642)**	(336,478)
Share of result of joint ventures		**(29,917)**	(12,132)
Share of result of associates		**(12,321)**	(15,765)
Profit before tax	*5*	**805,486**	577,709
Income tax expense	*6*	**(298,831)**	(200,202)
Profit for the year		**506,655**	377,507
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**2,552**	(1,690)
Fair value (loss)/gain on receivables measured at fair value through other comprehensive income ("FVTOCI")		**(5,638)**	9,051
Fair value loss on equity instrument at FVTOCI		**(8,922)**	–
Other comprehensive income (expense) for the year, net of income tax		**(12,008)**	7,361
Total comprehensive income for the year		**494,647**	384,868
Profit for the year attributable to:			
Owners of the Company		**561,340**	412,714
Non-controlling interests		**(54,685)**	(35,207)
		506,655	377,507
Total comprehensive income for the year attributable to:			
Owners of the Company		**549,332**	420,075
Non-controlling interests		**(54,685)**	(35,207)
		494,647	384,868
Earnings per share			
— Basic and diluted (RMB)	*7*	**0.51**	0.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,991,116**	4,991,790
Right-of-use assets		**494,736**	–
Prepaid lease payments		**–**	458,976
Investment properties		**42,318**	42,327
Goodwill		**49,447**	49,447
Intangible assets		**288,803**	294,149
Interests in joint ventures		**172,163**	191,080
Interests in associates		**91,127**	131,160
Equity instruments at FVTOCI		**3,500**	10,722
Loan receivables		**4,608**	78,949
Deferred tax assets		**569,022**	477,286
Prepayments and other receivables		**65,795**	47,433
Amounts due from related parties		**133,085**	173,085
Deposits paid for acquisition of property, plant and equipment		**200,678**	140,609
		7,106,398	7,087,013
CURRENT ASSETS			
Prepaid lease payments		**–**	9,367
Inventories		**2,659,852**	2,163,059
Loan receivables		**129,873**	143,659
Trade receivables	*9*	**1,820,586**	2,024,755
Receivables at FVTOCI	*10*	**1,401,425**	634,864
Prepayments and other receivables		**1,355,026**	1,226,497
Amounts due from related parties		**191,638**	212,406
Financial assets at fair value through profit and loss ("FVTPL")		**151,779**	66,427
Restricted bank deposits		**633,339**	1,159,844
Bank balances and cash		**1,958,428**	2,975,507
		10,301,946	10,616,385

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 31 DECEMBER 2019

	Notes	**2019** **_RMB'000_**	2018 *RMB'000*
CURRENT LIABILITIES			
Trade payables	*11*	**2,346,796**	2,057,807
Bills payable	*12*	**1,427,557**	1,145,288
Other payables and accruals		**1,310,359**	1,473,255
Amounts due to related parties		**26,270**	29,232
Tax liabilities		**242,795**	151,545
Lease liabilities		**5,991**	–
Warranty provision		**494,402**	535,253
Contract liabilities		**680,331**	578,037
Borrowings		**2,571,185**	3,761,691
Short-term note		**–**	299,930
Medium-term note		**648,365**	–
Corporate bond		**416,991**	–
		10,171,042	10,032,038
NET CURRENT ASSETS		**130,904**	584,347
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,237,302**	7,671,360
CAPITAL AND RESERVES			
Share capital		**74,704**	74,961
Reserves		**4,460,483**	3,927,707
Equity attributable to owners of the Company		**4,535,187**	4,002,668
Non-controlling interests		**880,803**	926,162
TOTAL EQUITY		**5,415,990**	4,928,830
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,660**	3,529
Deferred income		**279,497**	284,224
Borrowings		**1,519,415**	1,392,754
Lease liabilities		**9,740**	–
Medium-term note		**–**	646,331
Corporate bond		**–**	415,692
		1,821,312	2,742,530
		7,237,302	7,671,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 January 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 7 July 2010. The address of the registered office of the Company is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands, and the address of its principal place of business in the People's Republic of China (the "PRC") is No.18, Chengnan Road, Huaxi Industrial Function Area, Changxing County, Zhejiang Province, the PRC.

The 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. ADOPTION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year:

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

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

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

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 5.655% to 6.115%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	13,660
Less: Practical expedient-leases with lease term ending within 12 months from the date of initial application	(90)
Undiscounted lease obligations (excluding practical expedient adjustment)	13,570
Lease liabilities relating to operating leases recognised upon application of IFRS 16	10,895
Analysed as:	
Current	4,137
Non-current	6,758
	10,895

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		10,895
Reclassified from prepaid lease payments — leasehold lands	(a)	468,343
		479,238
By class:		
Land and buildings — rented premises		10,895
Leasehold lands		468,343
		479,238

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB9,367,000 and RMB458,976,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The adjustments to fair value have had no material impact on the consolidated financial statements of the Group for the current year.

Effective on 1 January 2019, the Group has applied IFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

Impact of transition to IFRS 16 on retained profits

The transition to IFRS 16 has no impact on retained profits at 1 January 2019.

Impact of transition to IFRS 16 on the consolidated statement of financial position

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

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

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Impact of applying IFRS 16 as a lessor on the consolidated financial statements

The impacts of applying IFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement profit or loss and other comprehensive income and cash flows for the year ended 31 December 2019 were insignificant.

2.2 New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

4 Effective for annual periods beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION AND REVENUE

(i) Disaggregation of revenue from contracts with customers

	2019	2018
	RMB'000	*RMB'000*
Types of goods		
Lead-acid motive batteries		
Electric bike battery	**17,249,455**	19,417,251
Electric vehicle battery and special-purpose electric vehicle battery	**7,626,285**	5,199,516
Li-ion batteries	**259,132**	790,840
Materials include lead and active additives	**2,046,860**	1,540,630
Total	**27,181,732**	26,948,237

	2019	2018
	RMB'000	*RMB'000*
Timing of revenue recognition		
A point in time	**27,181,732**	26,948,237

(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 transferred, being when the goods have been delivered to the customers' specific locations (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 on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The Group generally allows a credit period of 45 days to its trade customers with good trading history, or otherwise sales on cash terms are required.

4. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings	**226,794**	253,291
Corporate bond	**34,464**	34,923
Medium-term note	**51,033**	51,033
Short-term note	**951**	15,483
Lease liabilities	**800**	–
Finance leases	**–**	1,791
Total borrowing costs	**314,042**	356,521
Less: amounts capitalised in construction in progress	**(13,400)**	(20,043)
	300,642	336,478

Borrowing costs capitalised during the year ended 31 December 2019 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.03% per annum (2018: 5.22% per annum) to expenditure on qualifying assets.

5. PROFIT BEFORE TAXATION

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

	2019	2018
	RMB'000	*RMB'000*
Salaries and other benefits costs	**1,312,058**	1,152,299
Retirement benefits scheme contributions	**49,480**	42,863
Labour cost *(note)*	**112,943**	209,791
Share-based payments	**54,896**	21,247
Total staff costs (including directors' emoluments)	**1,529,377**	1,426,200
Less: amounts capitalised in inventories	**(1,102,413)**	(989,865)
	426,964	436,335
Amortisation of intangible assets	**38,315**	32,917
Depreciation of property, plant and equipment	**528,074**	405,921
Total depreciation and amortisation	**566,389**	438,838
Less: amounts capitalised in inventories	**(352,274)**	(279,188)
	214,115	159,650

	2019	2018
	RMB'000	*RMB'000*
Depreciation of investment properties	**2,995**	2,832
Depreciation of right-of-use assets	**16,110**	–
Prepaid lease payments released to profit or loss	**–**	8,558
Cost of inventories recognised as expense	**23,167,807**	23,217,375
Auditors' remuneration	**7,817**	7,655
Research and development costs recognised as an expense	**797,570**	884,914
Gross rental income from investment properties	**(4,431)**	(4,253)
Less: direct operating expenses arising from investment properties generate income	**1,538**	1,872
	(2,893)	(2,381)

Note: The Group has entered into labour dispatch agreements with several service organisations which have provided labour service to the Group.

6. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
— PRC enterprise income tax	**381,103**	259,562
Under provision in prior years		
— PRC enterprise income tax	**111**	10,574
Deferred tax credit	**(82,383)**	(69,934)
	298,831	200,202

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", New and High Technical Enterprise is subject to income tax at a preferential tax rate of 15%. Certain subsidiaries of the Company were recognised 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 rate of 25% for the year ended 31 December 2019 (2018: 25%). The Company and its subsidiaries incorporated in the British Virgin Islands (the "BVI"), Germany, Hong Kong and other countries had no assessable profits during the year (2018: nil).

The EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law. The Group is currently subject to withholding tax at 10%. During the year ended 31 December 2019, withholding tax on intra-group dividend amounting to RMB14,360,752 (2018: RMB37,346,129) was paid by the Group to relevant tax authorities.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 *RMB'000*	2018 *RMB'000*
Profit before tax	**805,486**	577,709
Tax at the applicable income tax rate of 25%	**201,372**	144,427
Tax effect of income tax deduction granted to subsidiaries in research and development expenditure	**(84,999)**	(90,040)
Tax effect of expenses not deductible	**11,006**	3,634
Effect of preferential tax rates on income of certain subsidiaries	**49,629**	15,779
Tax effect of tax losses not recognised	**88,542**	76,006
Utilisation of tax losses previously not recognised	**–**	(4,498)
Tax effect of share of result of associates	**3,235**	3,941
Tax effect of share of result of joint ventures	**7,324**	3,033
Withholding tax on undistributed profits of PRC subsidiaries	**22,611**	37,346
Under provision in prior years	**111**	10,574
Income tax expense for the year	**298,831**	200,202

7. EARNINGS PER SHARE

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

	2019 *RMB'000*	2018 *RMB'000*
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**561,340**	412,714

	2019 *'000*	2018 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,104,382**	1,107,912

The outstanding share options of the Company did not have dilutive effect to the Company's earnings per share during the years ended 31 December 2019 and 2018 because the exercise prices of these options were higher than the average market prices of the Company's shares for both years.

8. DIVIDEND

	2019	2018
	RMB'000	*RMB'000*
Dividends declared for distribution during the year:		
2018 final dividend — HKD0.066 per share	**62,388**	–
2017 final dividend — RMB0.062 per share	**–**	68,691

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HKD0.084 (equivalent to RMB0.075) (2018: final dividend in respect of the year ended 31 December 2018 of HKD0.066 (equivalent to RMB0.056)) per ordinary share, in an aggregate amount of HKD92,747,000 (equivalent to RMB83,083,000) (2018: aggregate amount of HKD73,122,000 (equivalent to RMB62,388,000)), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables — contracts with customers	**2,253,395**	2,310,537
Less: allowance for credit losses	**(432,809)**	(285,782)
	1,820,586	2,024,755

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB1,941,109,000.

The Group generally allows a credit period of 45 days to its trade customers with good trading history, or otherwise sales on cash terms are required.

The aged analysis of trade receivables net of allowance for doubtful debts presented based on the goods delivery date, which is the same as revenue recognition date, at the end of the reporting period is as follows:

	2019	2018
	RMB'000	*RMB'000*
0–45 days	**745,712**	1,034,670
46–90 days	**423,196**	284,160
91–180 days	**216,261**	409,937
181–365 days	**344,693**	240,876
Over 1 year	**90,724**	55,112
	1,820,586	2,024,755

Before accepting any new customer, the Group internally assesses the credit quality of the potential customer and define appropriate credit limits. Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality.

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.

In addition, the Group has discounted certain bills receivables to banks and transferred certain bills receivables to its suppliers to settle its payables through endorsing the bills to its suppliers. These bills are issued or guaranteed by reputable PRC banks with high credit ratings, therefore the Directors consider the substantial risks in relation to these bills is interest risk as the credit risk arising from these bills is minimal. Upon the discount/endorsement of these bills, the Group has transferred substantially all the risks (i.e. interest risks) of these bills to relevant banks/supplier, therefore the Group has derecognised these bills receivables.

As at 31 December 2019, the Group's maximum exposure to loss and cash outflow, which is same as the amount payable by the Group to collecting banks or the suppliers in respect of the bank issued bills discounted and bank issued bills endorsed, should the issuing banks fail to settle the bills on maturity date, of which amounted to RMB719,120,000 and RMB191,727,000 (2018: RMB214,300,000 and RMB547,285,000), respectively. All the bills receivables discounted to banks or endorsed to suppliers of the Group have a maturity date of less than one year from the end of the reporting period.

11. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Group normally settles its trade payables within 30 days (2018: 30 days) from the goods receipt date.

The aged analysis of trade payables presented based on the goods receipt date at the end of the reporting period is as follows:

	2019	2018
	RMB'000	*RMB'000*
0–30 days	**1,324,838**	979,624
31–90 days	**432,133**	591,483
91–180 days	**246,518**	317,701
181–365 days	**151,117**	116,996
1–2 years	**166,620**	21,172
Over 2 years	**25,570**	30,831
	2,346,796	2,057,807

12. BILLS PAYABLE

The aged analysis of bills payable presented based on the issue date at the end of the reporting period is as follows:

	2019	2018
	RMB'000	*RMB'000*
0–90 days	**535,529**	98,370
91–180 days	**748,310**	1,046,918
181–360 days	**143,718**	–
	1,427,557	1,145,288

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

CHAIRMAN'S STATEMENT

On behalf of the Board of the Company, I am pleased to present to shareholders the annual results of the Group for the Year.

The Group achieved good results and maintained steady business development during the Year. Its performance highlights are as follows:

- Due to an increase in gross profit margin as a result of lead price decrease and cost reduction by application of new technology, profit attributable to the owners of the Company for the Year totalled approximately RMB561 million, representing an increase of approximately 36.0% as compared with that for the year ended 31 December 2018.

- Having achieved top rankings in a number of renowned domestic and international lists of Chinese enterprises, including "Top 10 Enterprises of New Energy Battery Industry in China Light Industries" (中國輕工業新能源電池行業十強企業) for the seventh consecutive year and continuous capturing of its position among the 2019 "Global Top 500 New Energy Enterprises" (全球新能源企業500強), the Group has enjoyed strong recognition by the PRC government and the industry as an industry leader and a technology pioneer.

- In addition to various awards earned in recognition of excellence in technological innovation, the Group has persisted in green production in tandem with national policies. The Group was one of the few members of the battery industry selected by the Ministry of Industry and Information Technology of the PRC ("MIIT") for inclusion in the first list of "Model Enterprise of Green Industrial Products Design" (工業產品綠色設計示範企業).

During the Year, the Group's business achieved encouraging development thanks to ongoing economic expansion in the PRC, as well as the effective control by the Group over its operations and costs. With the growth in the PRC's gross domestic product (GDP) reaching 6.1% in the Year, and consumption upgrade and urbanization continuing steadily, such developments have provided the catalyst for further growth in demand for lead-acid motive batteries for electric bikes, electric tricycles and special-purpose electric vehicles. In addition, the PRC government has further raised regulatory requirements on the safety and environmental protection performance of electric bikes, and tightened requirements on the recycling of lead-acid batteries during the Year, calling for the elimination of non-compliant products and the generational upgrade of electric bikes. These controls have been favorable to the development of leading battery manufacturers which provide premium quality and high specific energy products with well-established lead-acid battery recycling networks.

By further enhancing product quality and production technologies, as well as improving production management procedures, the Group has improved the cost-efficiency and competitiveness of its products. Also, by further strengthening its nationwide sales and distribution network with full coverage of both the primary and secondary markets, and imposing lean and flat management of distributors to maintain leadership in operational efficiency and increase profitability, the Group has further enhanced the reputation of the "CHILWEE" brand and its influence, and thus upheld the Group's leading position.

The Group is fully committed to technological innovation. With a top-notch research and development ("R&D") team, the Group has devoted relentless effort towards the R&D of, among other things, new types of batteries, energy storage business and smart production. The Group has been fervently promoting innovation in its technology, products, production and management and breakthrough products have been launched in succession. Investment has also been increased continuously for developing the Group's green business, which includes introducing energy-efficient and lightweight new products as well as enhancing the environmental friendliness of its manufacturing processes, in a bid to facilitate the upgrade and development of the industry.

On behalf of the Group, I would like to express my gratitude to all of our shareholders, customers and business partners for their unwavering support and trust in the Group. I would also like to thank the Board, management team and all of our staff for their exceptional contributions. In 2020, we will leverage our technological edge, innovations and advantages from industry-chain consolidation, plus the concerted efforts of management and the entire workforce in achieving high-quality development, to achieve further progress in globalizing the Group's business.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group maintains its position as a market leader on the back of its dominant brand name and an efficient sales network. The Group competes primarily on its ability in innovation. Through joint efforts with pioneering enterprises and renowned institutions in the world, the Group has been consistently enhancing the production technologies to develop battery products with superior performance, higher energy efficiency and greater environmental friendliness, fulfilling market demand with the benefit of lower production costs while aggressively building a green industry chain in active response to national strategic requirements.

For the Year, the Group's total revenue amounted to approximately RMB27,182 million, representing an increase of 0.9%. Overall gross profit margin increased by 0.5% to approximately 12.5% (2018: approximately 12.0%). Profit attributable to owners of the Company was approximately RMB561 million (2018: approximately RMB413 million).

INDUSTRY OVERVIEW

Ongoing expansion of the electric bike market

The PRC ranks the top manufacturer and seller of electric bikes in the world. Electric bikes are inexpensive, small in size, convenient and energy-efficient, hence they have been a major mode of transportation in third and fourth-tier cities, towns and rural areas of the PRC. According to statistics of the China Bicycle Association, ownership of electric bikes has reached over 250 million in the PRC, and such ownership has laid a concrete foundation for the development of rechargeable battery. The annual electric bike production of the PRC has been in excess of 30 million units in recent years. The market is anticipating a higher compound annual growth rate (CAGR) of around 7% between 2019 and 2023 for the PRC electric bike market, indicating stable growth in the demand. In connection with the overseas market, as motorcycles remain the preferred type of vehicle in Southeast Asia, the market for electric bikes there is still in the startup stage. Based on the historic growth trend in the PRC over the years, the Southeast Asian market for electric bikes leaves enormous potential for growth and is set to drive the demand for imported electric bikes.

Sustained growth in demand for electric tricycles

Characterised by their strong adaptability, mobile flexibility, ease of maintenance and economic pricing, among others, electric tricycles are widely used for short-haul transportation by families in cities, rural areas, plant complexes and mining areas, and for public hygiene and community maintenance and cleaning services. In particular, in recent years the aging Chinese population has been driving the demand for small electric tricycles as a transportation vehicle for the elderly, while robust development of the e-commerce sector has also fueled continuous growth in the demand for large electric tricycles and electric forklifts used in courier services and the storage and logistics business. As the PRC has raised the threshold for operating the electric tricycle business and strengthened supervision over the sector, competition in terms of industrial standardisation and technology has escalated, setting in motion the generational upgrade of products which is in turn favourable to sales by tricycle battery manufacturers offering premium quality and advanced technologies.

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

Stable growth in demand for lead-acid motive batteries

Given its merits such as cost-efficiency, safety, cryotolerance, ease of maintenance and recyclability, as well as extensive applications on the back of mature industrial technologies, most electric bikes in the market are still powered by lead-acid batteries. Driven by the continuous growth of the PRC market for electric bikes, electric tricycles and special-purpose vehicles and owing to the definite lifespan of lead-acid motive batteries requiring replacements after exhaustion, the demand for lead-acid motive batteries has maintained a stable growth.

New National Standards and other policies optimising the industrial mix

The amended "Safety Technical Specifications for Electric Bicycle" (《電動自行車安全技術規範》) (the "New National Standards") of the PRC officially came into effect on 15 April 2019. Regarded by the market as "historically the most rigorous" standards for electric bikes, the New National Standards have introduced generally more stringent safety performance requirements for electric bikes, as full mandatory compliance is now required, as opposed to the previous version calling for mandatory compliance with selected clauses only. The New National Standards impose strict nationwide regulations over the production specifications and the riding of electric bikes, calling for the elimination of non-compliant products and the generational upgrade of electric bikes, which is favourable for the development of leading enterprises manufacturing lead-acid batteries for electric bikes with premium quality and high specific energy.

In addition, the "Technical Specifications for the Recycling of Waste Lead-acid Rechargeable Batteries" (《廢鉛酸蓄電池回收技術規範》), drafted with the Group's contributions and officially announced by the State Administration for Market Regulation and Standardization Administration of the PRC, officially came into effect on 1 October 2019. The standards require enterprises to establish a recycling system capable of "recycling one battery for every battery sold", with used batteries collected via a network at the consumer-end by the manufacturer's own sales channel or specialised recycling operators. Furthermore, the "Notice on the Commencement of Dedicated Treatment of Hazardous Waste" (《關於開展危險廢物專項整治工作的通知》) issued by the Ministry of Ecology and Environment of the PRC in September 2019 stipulated that chemical industrial parks, key units generating industrial hazardous waste and all units engaged in operations involving hazardous waste across the country shall be inspected by the end of 2019 for environmental risks to ensure the elimination of any related hazards. The implementation of these new standards will facilitate the development of the nation's waste lead-acid rechargeable battery recycling industry in a more regulated manner and further advance environmental protection. It will also be conducive to further industry consolidation and optimisation of the industry structure, which will favour established leaders of the lead-acid battery industry.

BUSINESS REVIEW

Battery business sustaining stable development

As a leader in the business of lead-acid motive batteries, the Group has been focusing on enhancing the quality and production technology of its lead-acid motive battery products, with a view to reducing production costs, increasing product competitiveness and ensuring stable business development. Revenue from sales of lead-acid motive batteries for the Year increased by approximately 1.1% to approximately RMB24,876 million, accounting for approximately 91.5% of the Group's total revenue.

In addition, the Group is also engaged in the sales of lithium-ion batteries products as warranted by market developments. The products are manufactured using pouch-type technique which secured 159 patents and specialised accreditations such as the "China Torch Program Industrialisation Showcase Project Certificate" (國家火炬計劃產業化示範項目證書). The product delivers excellent performance and a high level of safety-in-use and specific energy conducive to lightweight development and prolonging battery life. Revenue from sales of the lithium-ion battery products for the Year amounted to approximately RMB259 million. The Group will continue to invest in the R&D of lithium-ion battery product technology in an effort to manufacture lithium-ion batteries with higher specific energy and internationally-advanced standards.

Cementing its competitive strengths in channels and brand name

In line with a market-oriented approach, the Group's production facilities are strategically located in regions with greater demands for lead-acid motive batteries, such as Shandong, Anhui, Jiangsu, Zhejiang, Jiangxi, Henan and Hebei provinces in the PRC, so that the Group could closely track market developments while reducing storage and logistics costs to maintain superior operational efficiency.

The Group has built a nationwide sales and distribution network in the PRC with full coverage of both the primary and secondary markets. For the primary market, the Group has established a major customer service department to serve leading electric bike manufacturers. Regular visits to the management of these manufacturers are arranged to provide comprehensive sales service. The Group's major customers in the primary market include Yadea and Evermaster. Moreover, the Group operates an extensive distribution network spanning across all provinces in the country. As at 31 December 2019, the Group had 2,556 independent distributors serving the secondary market.

The Group continued to practice a calibrated management over its distributors based on a flat management and adopted the agency model to reduce the intermediaries in sales channels and enhance loyalty of end customers. These efforts were complemented by comprehensive after-sales services and online anti-counterfeit enquiries to increase customer satisfaction for the brand name of "CHILWEE". Moreover, the Group retained renowned movie star Mr. Donnie Yen as its brand ambassador and organized a film-viewing event for major distributors in December 2019 featuring the new movie of Mr. Yen as part of its effort to promote its products and reinforce the brand image of "CHILWEE". In October 2019, the Group has participated in a campaign entitled "Meticulous Effort in Quality for Future Success" for publicizing advanced and quality brands launched by China Central Television as the only corporate representative of the PRC lead-acid battery industry and claimed the honour of achievements in quality which further promoted the "CHILWEE" brand to the public.

Wide recognition as an industry leader

Thanks to its excellent technological innovation capability, brand influence and market competitiveness, the Group's position as an industry leader has enjoyed strong recognition by the PRC government and the industry. During the Year, the Group retained its place among the "Top 500 Chinese Enterprises"(中國企業500強), "Top 500 Enterprises of China's Manufacturing Industry" (中國製造業企業500強) and "Top 500 Chinese Private Owned Enterprises" (中國民營企業500強), while being honoured with a spot among the "Fortune Top 500 Chinese Companies" (《財富》中國500強). The Group also continued to rank among the "Top 100 Enterprises in China Light Industry" (中國輕工業百強企業) and "Top 100 Science & Technology Enterprises in China Light Industry" (中國輕工業科技百強企業), while topping the list of "Top 10 Enterprises of New Energy Battery Industry in China Light Industries" (中國輕工業新能源電池行業十強企業) for the seventh year in a row and re-capturing its place among the "Global Top 500 New Energy Enterprises" (全球新能源企業500強).

Fresh driving force afforded by persistent effort in technological innovation

With a global vision, the Group has been actively engaged in technological collaborations with advanced enterprises and institutions in the PRC and overseas to raise the bar on all fronts. The Group's R&D expenses for the Year amounted to approximately RMB798 million, equivalent to approximately 2.9% of its total revenue. As at 31 December 2019, the Group owned 2,183 patents and had submitted applications for 337 patents.

The Group has been actively recruiting world-class professionals to join its leading R&D team, with a view to maintaining its leading position in innovative R&D. As at 31 December 2019, the Group had more than ten renowned domestic and foreign experts on the team, five of whom were brought in via the "Program of One Thousand Talents"(千人計劃). In addition, the Group has been named as National Model Enterprise of Technology Innovation (國家技術創新示範企業) and National Model Enterprise of Intellectual Property (國家知識產權示範企業), having established a number of platforms for technological innovation, such as the nationally-recognised enterprise technology centre, nationally-accredited laboratory, national environmental protection engineering technology centre, provincial key research institute, academician work station and post-doctoral research work station, among others. It has also established R&D centres in the United States, Russia and Germany.

Persisting in green production in tandem with national policies

The Group has persisted in green production and continued to increase its investment in the transformation and upgrade of the green development of its business. Through ongoing technological innovation, the Group has engaged in the upgrade to energy-efficient and light weight new products and introduced smart production equipment to enhance environmental friendliness of its manufacturing processes. The Group has also helped the National Environmental Protection Engineering Technology Centre as a lead member to establish the China Battery Industry Green Recycling Development Alliance (中國電池產業綠色循環發展聯盟), and organised the founding of the country's first dedicated fund for the prevention of and relief for battery pollution, in a bid to contribute to environmental protection in the PRC.

During the Year, the Group was one of the few members of the battery industry selected by MIIT for inclusion in the first list of "Model Enterprise of Green Industrial Products Design" (工業產品綠色設計示範企業). As at 31 December 2019, the Group had 9 plants included in the green plant list and 2 plants included in the green supply chain list, and 14 products included in the green design product list. In terms of the total number of exemplary projects for the development of national-grade green manufacturing regimes, the Group is a leader in the industry.

Future development strategy

With increasingly stringent government regulation, the Group is of the view that the battery industry has become highly consolidated and concentrated. As the industry landscape of the lead-acid battery sector has basically taken shape, industry leaders will be benefitted in the long run. As one of the industry leaders, the Group has adopted a strategy underpinned by platform operation, technology and globalisation. The Group is also actively promoting technological innovation, product innovation, manufacturing innovation and management model innovation. Through focusing on R&D achievement and commercialization of technology application, smart battery products with longer life and fast-charging features have been launched in succession which become pioneers in various sectors and further solidify the competitiveness of the Group in the industry.

In future, the Group will continue to focus on qualitative growth and emphasise proprietary R&D and third-party cooperation as parallel drivers while seeking enhancements in both quality and brand influence with the aid of new technologies such as the fifth generation wireless technology (5G) and artificial intelligence (AI) to enable it to maintain its strengths in core technologies, innovative ability and its irreplaceable integration of the full industry chain to maximise return of its shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately RMB27,181,732,000 in the Year, which has increased by approximately 0.9% over approximately RMB26,948,237,000 in 2018. The increase in revenue was primarily attributable to net effect of the followings: (1) increase in sales volume; (2) drop in average selling price of lead-acid motive batteries caused by a decrease in price of lead which is the main raw material.

Gross profit

The Group's gross profit amounted to approximately RMB3,393,273,000 in the Year, representing an increase of approximately 4.9% over approximately RMB3,235,268,000 in 2018. The gross profit margin in the Year was approximately 12.5% (2018: approximately 12.0%). The Group adopted a cost plus pricing mechanism. During the Year, price of lead, which is the main raw material, has dropped in general. The increase in gross margin was primarily because the Group was able to price the lead-acid motive batteries at a higher margin.

Other income and other gains

The Group's other income and other gains amounted to approximately RMB308,880,000 in the Year, representing an increase of approximately 12.6% from approximately RMB274,231,000 in 2018, which was mainly due to an increase in government grants.

Distribution and selling expenses

The Group's distribution and selling expenses amounted to approximately RMB828,010,000 in the Year, representing a decrease of approximately 9.8% from approximately RMB917,817,000 in 2018, which was primarily attributable to a decrease in after-sales service expenses and sales commission in 2019. For the Year, the distribution and selling expenses as a percentage of revenue were approximately 3.0% (2018: approximately 3.4%).

Administrative expenses

The Group's administrative expenses were approximately RMB632,801,000 in the Year, representing an increase of approximately 0.3% over approximately RMB630,693,000 in 2018, which was in line with the Group's business expansion.

R&D expenses

R&D expenses amounted to approximately RMB797,570,000 in the Year, representing a decrease of approximately 9.9% from approximately RMB884,914,000 in 2018, which was primarily attributable to a decrease in R&D expenditure on lead-acid batteries and other new technology products during the Year.

Finance costs

The Group's finance costs decreased by approximately 10.7% from approximately RMB336,478,000 in 2018 to approximately RMB300,642,000 in the Year. The decrease in finance costs was primarily due to a decrease in interest expenses on bank borrowings and short-term note.

Profit before tax

For the above reasons, the Group's profit before tax increased by approximately 39.4% to approximately RMB805,486,000 in the Year (2018: approximately RMB577,709,000).

Taxation

The Group's income tax expenses increased by approximately 49.3% to approximately RMB298,831,000 in the Year (2018: approximately RMB200,202,000). The effective tax rate was approximately 37.1% in the Year (2018: approximately 34.7%). The increase in the effective tax rate was mainly due to loss incurred by certain subsidiaries during the Year.

Profit attributable to owners of the Company

In the Year, profit attributable to owners of the Company amounted to approximately RMB561,340,000, representing an increase of approximately 36.0%, over approximately RMB412,714,000 in 2018. The increase was mainly due to cost reduction during the Year.

Liquidity and financial resources

As at 31 December 2019, the Group had net current assets of approximately RMB130,904,000 (31 December 2018: net current assets of approximately RMB584,347,000). Cash and bank balances were approximately RMB1,958,428,000 (31 December 2018: approximately RMB2,975,507,000). Net debts, including borrowings, corporate bonds, lease liabilities, short-term note, medium-term note and deducting cash and bank deposits, were approximately RMB2,579,920,000 (31 December 2018: approximately RMB2,381,047,000), which were mainly used to finance the capital expenditure and daily working capital of the Group. They were denominated in RMB, USD or HKD, of which approximately RMB2,404,154,000 bore interest at fixed rates and approximately RMB2,571,185,000 were repayable within one year. The Group adopts 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 31 December 2019, the Group's current ratio (current assets/current liabilities) was 1.01 (31 December 2018: 1.06) and gearing ratio (net debts/total assets) was approximately 14.8% (31 December 2018: approximately 13.4%). The Group had sufficient cash and available banking facilities to meet its commitments and working capital requirements. The current cash position enables the Group to explore potential investment and potential business development opportunities to expand its domestic market share.

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 Year, 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 financial years is as follows:

	2019	2018
	RMB'000	*RMB'000*
Buildings	**1,058,086**	765,414
Construction in progress	**–**	60,288
Land use rights/right-of-use assets	**181,318**	336,094
Receivables at FVTOCI	**1,049,328**	288,365
Other receivables	**55,962**	45,802
Restricted bank deposits	**633,339**	1,159,844

Capital commitment

	2019	2018
	RMB'000	*RMB'000*
Contracted but not provided for:		
— acquisition of property, plant and equipment	**74,412**	62,516
— acquisition of intangible asset	**7,847**	8,212
— capital contribution to associates	**23,200**	42,625
— capital contribution to a joint venture	**22,000**	–

Contingent liabilities

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

Human resources and employees' remuneration

As at 31 December 2019, the Group employed a total of 15,296 (31 December 2018: 16,353) staff members in the PRC and Hong Kong. During the Year, the total cost of employees amounted to approximately RMB1,529,377,000. The Group sought to further strengthen staff training by offering focused training programmes and study tours to management and professional technical personnel, and disseminating the latest information of government policy on the lead-acid motive battery industry to staff. The Group continued to strive for the enhancement of professional standards and overall qualities of its staff. The Group also provided competitive salary packages to its staff, encouraging them to be fully dedicated in their work and to leverage their capabilities in serving its customers.

Significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year, nor was there any plan authorized 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

During the Year, the Company has repurchased a total of 3,785,000 shares on the Stock Exchange at an aggregate consideration of HKD10,909,870. The highest price paid per share is HKD3.05, and the lowest price paid per share is HKD2.73. Details of the repurchase are as follows:

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

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

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

EVENTS AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 (COVID-19) in the beginning of 2020, it has presented short-term challenges to the domestic economy as well as the market environment, the Group has been closely monitoring the pandemic and implementing contingency measures to minimize the impacts of the pandemic on the business operation of the Group. While the production plant of the Group has resumed its production since mid February 2020 after the Chinese New Year holidays, the Directors consider that there were only limited impact on the operation of the Group, which mainly affected logistics arrangements and resulted in a slower ramp up in production capacity after the Chinese New Year holidays. The Group has already been operating at full capacity since early March 2020, and shall continue to pay close attention to the development of the disease and, if any, evaluate its impact on the Group's financial position, operating results and other aspects. As at the date of this announcement, the Group was not aware of any material adverse effects on the financial statements as a result of such outbreak.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance in the interests of shareholders. The Company has complied with all code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules throughout the Year, except for the deviation as stated below.

Code Provision A.2.1 of the Code requires the roles of chairman of the Board and chief executive officer to be separated. Mr. Zhou Mingming is currently both the chairman of the Board and chief executive officer of the Company. The Board considers that the current arrangement facilitates the execution of the Group's business strategies and maximizes efficiency of its operation and is therefore beneficial to the Company and its shareholders as a whole.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the 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 unpublished inside information) of the Company. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The Company has established the Audit Committee. Its primary duties include, among other things, the review and supervision of the Group's financial reporting process, risk management and internal control system. The Audit Committee comprises all four independent non-executive Directors of the Company, namely Mr. Lee Conway Kong Wai ("Mr. Lee"), Mr. Wang Jiqiang, Prof. Ouyang Minggao and Mr. Ng Chi Kit. Mr. Lee is the chairman of the Audit Committee. Mr. Lee has professional qualification and experience in accounting and financial matters.

The Audit Committee has met and discussed with the external auditors of the Company, Deloitte Touche Tohmatsu, and has reviewed the accounting principles and practices adopted by the Group and the audited results of the Group for the Year. The Audit Committee considered that the consolidated results of the Group for the Year 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the "Register of Members") will be closed from 5 June 2020 to 10 June 2020 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the annual general meeting, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting, the shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 4 June 2020.

The Board has resolved to recommend the payment of a final dividend of HKD0.084 per share for shareholders whose names appear on the Register of Members on 18 June 2020. The Register of Members will be closed from 16 June 2020 to 18 June 2020, both days inclusive, and the proposed final dividend is expected to be paid on or around 16 July 2020. The payment of dividends shall be subject to the approval of the shareholders at the annual general meeting of the Company expected to be held by 10 June 2020. In order to be qualified for the proposed final dividend, shareholders should deliver share certificates together with transfer documents to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 15 June 2020.

PUBLICATION OF ANNUAL REPORT

The full text of the Company's 2019 annual report 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 future robust development of the Group hinges on the full support of its shareholders, customers and business partners as well as the dedicated commitment and hard work of our staff. The Board would also like to take this opportunity to express its sincere gratitude to them. The Group intends to continue its concerted efforts to advance its business development to new heights while bringing lucrative returns to the supporters of the Group.

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

Changxing, Zhejiang Province, the PRC, 30 March 2020

As at the date of this announcement, the executive Directors are Mr. ZHOU Mingming, Mr. ZHOU Longrui, Ms. YANG Yunfei and Mr. YANG Xinxin; the non-executive Director is Ms. FANG Jianjun; the independent non-executive Directors are Mr. WANG Jiqiang, Prof. OUYANG Minggao, Mr. LEE Conway Kong Wai and Mr. NG Chi Kit.