Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2020

FINANCIAL HIGHLIGHTS

- Revenue for the Year was approximately RMB27,305 million (2019: approximately RMB27,182 million), representing an increase of approximately 0.5% from last year.
- Profit attributable to the owners of the Company for the Year was approximately RMB720 million (2019: approximately RMB561 million), representing an increase of approximately 28.3% from last year .
- Basic earnings per share for the Year amounted to RMB0.65 (2019: RMB0.51).
- The Board proposed to declare a final dividend of HKD0.117 per share for the Year (2019: HKD0.084), which will be subject to shareholders' approval at the annual general meeting, representing a total distribution of approximately HKD129.2 million (2019: approximately HKD92.7 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 2020 (the "Year") together with the comparative figures for the year ended 31 December 2019. 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 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	3	**27,304,556**	27,181,732
Cost of sales		**(24,007,223)**	(23,788,459)
Gross profit		**3,297,333**	3,393,273
Other income and other gains and losses		**548,606**	255,258
Distribution and selling expenses		**(718,945)**	(828,010)
Administrative expenses		**(613,105)**	(632,801)
Research and development expenses		**(857,364)**	(797,570)
Other expenses		**(10,388)**	(9,335)
Impairment losses recognised, net of reversal		**(157,922)**	(232,449)
Finance costs	4	**(371,669)**	(300,642)
Share of result of joint ventures		**(15,420)**	(29,917)
Share of result of associates		**(35,567)**	(12,321)
Profit before tax	5	**1,065,559**	805,486
Income tax expense	6	**(341,053)**	(298,831)
Profit for the year		**724,506**	506,655
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(81)**	2,552
Fair value gain (loss) on receivables at fair value through other comprehensive income ("FVTOCI")		**238**	(5,638)
Item that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at FVTOCI		**–**	(8,922)
Other comprehensive income (expense) for the year, net of income tax		**157**	(12,008)
Total comprehensive income for the year		**724,663**	494,647
Profit for the year attributable to:			
Owners of the Company		**720,397**	561,340
Non-controlling interests		**4,109**	(54,685)
		724,506	506,655
Total comprehensive income for the year attributable to:			
Owners of the Company		**720,554**	549,332
Non-controlling interests		**4,109**	(54,685)
		724,663	494,647
Earnings per share			
— Basic and diluted (RMB)	7	**0.65**	0.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,106,963**	4,991,116
Right-of-use assets		**500,194**	494,736
Investment properties		**40,058**	42,318
Goodwill		**49,447**	49,447
Intangible assets		**247,192**	288,803
Interests in joint ventures		**147,243**	172,163
Interests in associates		**57,260**	91,127
Equity instruments at FVTOCI		**5,300**	3,500
Loan receivables		**41,794**	4,608
Deferred tax assets		**513,895**	569,022
Prepayments and other receivables		**48,090**	65,795
Amounts due from related parties		**133,085**	133,085
Deposits paid for acquisition of property, plant and equipment		**158,429**	200,678
		7,048,950	7,106,398
CURRENT ASSETS			
Inventories		**3,425,070**	2,659,852
Loan receivables		**34,725**	129,873
Trade receivables	*9*	**1,938,261**	1,820,586
Receivables at FVTOCI	*10*	**1,087,511**	1,401,425
Prepayments and other receivables		**1,302,702**	1,355,026
Financial assets at fair value through profit or loss ("FVTPL")		**275,123**	151,779
Amounts due from related parties		**215,860**	191,638
Restricted bank deposits		**1,332,206**	633,339
Bank balances and cash		**2,552,548**	1,958,428
		12,164,006	10,301,946

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
CURRENT LIABILITIES			
Trade payables	*11*	**2,633,901**	2,346,796
Bills payable	*12*	**1,377,478**	1,427,557
Other payables and accruals		**1,516,464**	1,310,359
Contract liabilities		**182,463**	680,331
Warranty provision		**484,240**	494,402
Tax liabilities		**392,338**	242,795
Lease liabilities		**4,118**	5,991
Amounts due to related parties		**21,168**	26,270
Borrowings		**4,907,346**	2,571,185
Medium-term note		**–**	648,365
Corporate bond		**–**	416,991
		11,519,516	10,171,042
NET CURRENT ASSETS		**644,490**	130,904
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,693,440**	7,237,302
CAPITAL AND RESERVES			
Share capital		**74,704**	74,704
Reserves		**5,117,385**	4,460,483
Equity attributable to owners of the Company		**5,192,089**	4,535,187
Non-controlling interests		**832,515**	880,803
TOTAL EQUITY		**6,024,604**	5,415,990
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**14,979**	12,660
Lease liabilities		**4,463**	9,740
Borrowings		**1,383,186**	1,519,415
Deferred income		**266,208**	279,497
		1,668,836	1,821,312
		7,693,440	7,237,302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 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 (the "Group") are manufacturing and sales of lead-acid motive batteries, lithium-ion batteries and other related products.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendment to 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 and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
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[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

Except for the amendments to IFRS mentioned below, the directors of the Company (the "Directors") anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Borrowings which are subject to meeting covenants within 12 months from reporting date

As at 31 December 2020, the Group's right to defer settlement for borrowings of RMB59,000,000 are subject to compliance with covenants within 12 months from the reporting date. Such borrowing was classified as current. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess whether application of the amendments will have an impact on the classification of this borrowing. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 December 2020.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2020	2019
	RMB'000	*RMB'000*
Types of goods		
Lead-acid motive batteries		
Electric bike battery	**16,223,934**	17,249,455
Electric vehicle battery and special-purpose electric vehicle battery	**8,053,844**	7,626,285
Li-ion batteries	**141,016**	259,132
Materials include lead and active additives	**2,767,466**	2,046,860
Renewable wasted batteries	**118,296**	–
Total	**27,304,556**	27,181,732

	2020	2019
	RMB'000	*RMB'000*
Timing of revenue recognition		
A point in time	**27,304,556**	27,181,732

(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 bear 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.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All batteries and related products are delivered within period less than one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. FINANCE COSTS

	2020 *RMB'000*	2019 *RMB'000*
Interest expenses on:		
Bank borrowings	**317,988**	226,794
Corporate bond	**21,456**	34,464
Medium-term note	**40,457**	51,033
Short-term note	**–**	951
Lease liabilities	**653**	800
Total borrowing costs	**380,554**	314,042
Less: amounts capitalised in construction in progress	**(8,885)**	(13,400)
	371,669	300,642

Borrowing costs capitalised during the year ended 31 December 2020 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.88% per annum (2019: 5.03% per annum) to expenditure on qualifying assets.

5. PROFIT BEFORE TAXATION

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

	2020 *RMB'000*	2019 *RMB'000*
Salaries and other benefits costs	**1,320,850**	1,312,058
Retirement benefits scheme contributions *(note i)*	**28,983**	49,480
Labour cost *(note ii)*	**177,061**	112,943
Share-based payments	**28,473**	54,896
Total staff costs (including directors' emoluments)	**1,555,367**	1,529,377
Less: amounts capitalised in inventories	**(1,191,441)**	(1,102,413)
	363,926	426,964
Amortisation of intangible assets	**41,611**	38,315
Depreciation of property, plant and equipment	**541,430**	528,074
Total depreciation and amortisation	**583,041**	566,389
Less: amounts capitalised in inventories	**(367,063)**	(352,274)
	215,978	214,115
Depreciation of investment properties	**3,558**	2,995
Depreciation of right-of-use assets	**14,368**	16,110
Cost of inventories recognised as expense	**23,473,747**	23,167,807
Auditors' remuneration	**5,943**	7,817
Research and development costs recognised as expense	**857,364**	797,570
Gross rental income from investment properties	**(4,430)**	(4,431)
Less: direct operating expenses arising from investment properties generating rental income	**1,521**	1,538
	(2,909)	(2,893)

Notes:

(i) During the current year, pursuant to the notice released by the relevant PRC authority, certain subsidiaries of the Company have been fully or partially waived to undertake a number of social insurances totaling approximately RMB15,982,000.

(ii) The Group has entered into labour dispatch agreements with several service organisations providing labour service to the Group.

6. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
Current tax:		
— PRC enterprise income tax	**285,304**	381,103
(Over) under provision in prior years		
— PRC enterprise income tax	**(5,177)**	111
Deferred tax charge (credit)	**60,926**	(82,383)
	341,053	298,831

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 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 rate of 25% for the year ended 31 December 2020 (2019: 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 (2019: 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 2020, withholding tax on intra-group dividend amounting to RMB17,861,285 (2019: RMB14,360,752) 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:

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**1,065,559**	805,486
Tax at the applicable income tax rate of 25%	**266,390**	201,372
Tax effect of income tax deduction granted to subsidiaries in research and development expenditure	**(82,353)**	(84,999)
Tax effect of expenses not deductible	**18,915**	11,006
Effect of preferential tax rates on income of certain subsidiaries	**(13,241)**	49,629
Tax effect of tax losses not recognised	**131,653**	88,542
Utilisation of tax losses previously not recognised	**(7,308)**	–
Tax effect of share of result of associates	**8,892**	3,235
Tax effect of share of result of joint ventures	**3,855**	7,324
Withholding tax on undistributed profits of PRC subsidiaries	**19,427**	22,611
(Over) under provision in prior years	**(5,177)**	111
Income tax expense for the year	**341,053**	298,831

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:

	2020	2019
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**720,397**	561,340

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,104,127**	1,104,382

The outstanding share options of the Company did not have dilutive effect to the Company's earnings per share during the year ended 31 December 2020 and 2019 because the exercise prices of these options were higher than the average market prices of the Company's shares for both years.

8. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Dividends declared for distribution during the year:		
2019 final dividend — HKD0.084 per share	**83,083**	–
2018 final dividend — HKD0.066 per share	**–**	62,388

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HKD0.117 (equivalent to RMB0.098) (2019: final dividend in respect of the year ended 31 December 2019 of HKD0.084 (equivalent to RMB0.075)) per ordinary share, in an aggregate amount of HKD129,183,000 (equivalent to RMB108,725,000) (2019: aggregate amount of HKD92,747,000 (equivalent to RMB83,083,000)), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

9. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables — contracts with customers	**2,433,854**	2,253,395
Less: allowance for credit losses	**(495,593)**	(432,809)
	1,938,261	1,820,586

As at 1 January 2019, carrying amount of trade receivables from contracts with customers amounted to RMB2,024,755,000 (net of credit loss allowance of RMB285,782,000).

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 credit losses 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:

	2020	2019
	RMB'000	*RMB'000*
0–45 days	**1,196,660**	745,712
46–90 days	**290,088**	423,196
91–180 days	**185,085**	216,261
181–365 days	**195,380**	344,693
Over 1 year	**71,048**	90,724
	1,938,261	1,820,586

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.

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/suppliers, therefore Group has derecognised these bills receivables.

As at 31 December 2020, 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 RMB723,271,000 and RMB194,690,000 (2019: RMB719,120,000 and RMB191,727,000), 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 (2019: 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:

	2020	2019
	RMB'000	*RMB'000*
0–30 days	**1,400,763**	1,324,838
31–90 days	**779,650**	432,133
91–180 days	**148,183**	246,518
181–365 days	**79,844**	151,117
1–2 years	**119,168**	166,620
Over 2 years	**106,293**	25,570
	2,633,901	2,346,796

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:

	2020	2019
	RMB'000	*RMB'000*
0–90 days	**172,135**	535,529
91–180 days	**1,103,325**	748,310
181–360 days	**102,018**	143,718
	1,377,478	1,427,557

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 managed to minimize the impact of the COVID-19 pandemic (the "Pandemic") through outstanding management and adaptability and, as a result, achieved satisfactory results and maintained steady business development during the Year. The Group's performance highlights are as follows:

- Having benefited from an increase in overall sales, an increase in other income and other gains and losses due to a gain in fair value of financial assets and reduction of operating expenses due to the Group's enhanced operational efficiency, profit attributable to owners of the Company for the Year amounted to approximately RMB720 million, representing an increase of 28.3% as compared with that for the year ended 31 December 2019.

- The Group continued to achieve top rankings in a number of renowned domestic and international lists of Chinese enterprises, which included topping the list of the "Top 10 Enterprises of New Energy Battery Industry in China" (中國新能源電池行業十強企業) for the eighth year in a row, once again being awarded a position among the "China's Top 500 New Economy Enterprises" (中國新經濟企業500強) and being included in the fifth batch of Single Champion Demonstration Enterprises in Manufacturing Industry (製造業單項冠軍示範企業 (第五批)) by Ministry of Industry and Information Technology of the People's Republic of China (the "PRC") ("MIIT"). These accolades demonstrate the recognition of the Group as an industry leader by authoritative organizations and the industry.

During the Year, the Group's business achieved encouraging development, primarily attributable to the steady economic development of the PRC amidst the Pandemic, as well as an increase in the market demand for electric bikes stemming from anti-pandemic measures, the continuous upgrade of electric bikes and the Group's effective cost control. In the Year, faced with the impacts of the Pandemic and the unfavorable domestic and international environment, the PRC still experienced a year-on-year growth of 2.3% in gross domestic product (GDP), demonstrating the strong resilience of the PRC's economy. In addition, the social distancing measures in response to the Pandemic, as well as a significant increase in online shopping activities and home delivery services, fueled the market demand for electric bikes, electric tricycles and special-purpose electric vehicles, as well as related lead-acid motive batteries.

During the Year, the Group continued to enhance the quality and production technology of its lead-acid motive battery products and develop products with superior performance, energy efficiency and environmental friendliness, so as to strengthen its position as a leading enterprise in the lead-acid motive battery industry. Moreover, the Group continued to fortify its sales channels and strengthen its brand building efforts, with a view to enhance brand awareness and thus uphold the Group's leading position.

The Group is also fully committed to technological innovation. With a leading research and development ("R&D") team, the Group has been promoting innovation in its technology, products, production and management, in a bid to continuously propel the upgrade and development of the new energy industry.

On behalf of the Group, I would like to express my sincere gratitude to all of the 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 2021, we will be committed to technological innovation in order to implement high-quality development for the Group and achieve even greater breakthroughs and achievements in the field of new energy.

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 outbreak of the Pandemic in early 2020 posed challenges to the domestic and international economies and market environment. The Group swiftly carried out pandemic prevention measures and managed to minimize the impact of the Pandemic on its business operations. With a leading R&D platform, the Group consistently made breakthroughs in the field of R&D and improved the quality and production technology of its battery products, which are well recognized by both the industry and the public.

During the Year, the Group's total revenue amounted to approximately RMB27,305 million, representing an increase of approximately 0.5%. The Group's overall gross profit margin slightly decreased to approximately 12.1% (2019: approximately 12.5%). Profit attributable to owners of the Company was approximately RMB720 million (2019: approximately RMB561 million), representing a year-on-year growth of 28.3%.

INDUSTRY OVERVIEW

Stable development of electric bike market

The PRC ranks as 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 the PRC. According to statistics from the China Bicycle Association, ownership of electric bike reached nearly 300 million in the PRC in 2020. The annual electric bike production in the PRC has been in excess of 30 million units in recent years.

Although the supply chain, production and offline sales of electric bikes in the PRC were adversely affected by the Pandemic during the first quarter of the Year, the situation has gradually returned to normal in all aspects since the second quarter, and market demand for electric bikes has increased in response to social distancing measures, which in turn boosted their sales. In addition, the revised "Safety Technical Specification for Electric Bicycle" (《電動自行車安全技術規範》, the "New National Standard") has been implemented in the PRC since April 2019, pursuant to which, the duration of the transition period varies in different regions. In the second half of the Year, after the end of the transition period in various regions, the relevant authorities began to investigate and penalise the use of non-compliant electric bikes, which led to a "Replacement Period" of electric bikes and hence increases the demand for new electric bikes.

As the Pandemic swept across the globe, social distancing became part of everyday life, and amidst this, many people preferred electric bikes to travel short distances, which has stimulated the demand for such bikes. Also, the accelerating urbanization in Southeast Asia and India, and the efforts to optimize road conditions and improve pollution problems in these countries will benefit the development of electric two-wheelers there, and boost the production and export market of electric bikes in the PRC.

Sustained growth in demand for electric tricycles and special purpose electric vehicles

In the PRC, electric tricycles have been widely used for short-haul transportation by families, in cities, rural areas, plant complexes and mining areas, and for public hygiene, community maintenance and cleaning services. Since early 2020, the e-commerce business has experienced a growth in the PRC due to the decline in travel under the Pandemic. As a result, courier services and storage and logistics businesses developed rapidly, which led to the continued growth in demands for large electric tricycles and special purpose electric vehicles used for short distance cargo transportation. Furthermore, as the PRC government is gradually tightening the supervision over electric tricycles, non-compliant products will be weeded out and industry consolidation will be accelerated, which will in turn facilitate the sales of high-quality and advanced electric tricycles.

Lead-acid motive batteries maintain strong market position

Lead-acid battery products have the advantages of stable and reliable performance, wide applications, a high level of safety-in-use and regeneration rate, and the lead-acid battery industry is very mature with constantly improving technology. In addition, given that lead-acid battery is good value for money and its major target consumers are low and middle-income groups who are more price-sensitive, the product has accounted for a substantial share in the market of electric two-wheelers, electric tricycles and small electric tricycles for the elderly. Since lead-acid motive batteries require regular replacement, demand in the replacement market is large and stable.

The ever-improving industry standards that promote industry upgrade

During the Year, the PRC government continued to improve the industry standards for electric bicycles and storage batteries to promote the generational upgrade of electric bicycles and the healthy development of the industry, and which is expected to continue to benefit the sales of such batteries. In September 2020, MIIT promulgated a number of industry standards, three of which are related to the electric bike sector, including "Electric Bike Motors and Controllers" (《電動自行車用電動機及控制器》), "Rules for Coding Identity Information with Two-dimensional Barcode for Lead Storage Battery"(《鉛蓄電池二維碼身份信息編碼規則》) and "Lithium Battery Charger for Electric Bike"(《電動自行車鋰電池充電器》), which has come into effect on 1 January 2021. MIIT also stated that the draft of "Standards of Four-wheeled low speed Electric Vehicle"(《四輪低速電動車標準》) has been completed, and is now accelerating the preparation of low-speed electric vehicle standards, which will further improve the specific management measures for the future production, sales, taxation, insurance, use and after-sales services of low-speed electric vehicles. Moreover, in September 2020, the China Bicycle Association has gained government approval to formulate the "Standard for Vehicles Specific for Takeaway Delivery Purpose" (《外賣專用車團體標準》). Following the formulation and implementation of the new standards, takeaway electric vehicles will be subject to more stringent management, which will promote the replacement of such vehicles.

In addition, the "Technical Specifications for Recycling 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, came into effect in October 2019. The standards require enterprises to establish a recycling system capable of "recycling one battery for every battery sold", with used batteries collected via a network at the consumer-end by the manufacturer's own sales channel or specialized recycling operators. The policy has facilitated the development of the nation's waste lead-acid rechargeable battery recycling industry in a more regulated manner, which will favor lead-acid battery enterprises with an established recycling system.

BUSINESS REVIEW

Battery business sustaining stable development

The Group has been focusing on enhancing the quality and production technology of its lead-acid motive battery products and developing products with superior performance, energy efficiency and environmental friendliness, so as to strengthen its position as a leading enterprise in the lead-acid motive battery industry and promote the stable development of the lead-acid motive battery business. During the Year, revenue from sales of lead-acid motive batteries amounted to approximately RMB24,278 million, accounting for approximately 88.9% of the Group's total revenue. In particular, revenue from sales of electric bike batteries amounted to approximately RMB16,224 million, accounting for approximately 59.4% of the Group's total revenue; and revenue from sales of electric tricycle batteries and special-purpose electric vehicle batteries amounted to approximately RMB8,054 million, accounting for approximately 29.5% of the Group's total revenue.

In addition, the Group is also engaged in the R&D and sales of lithium-ion battery products, so as to meet the long-term needs of the market's future developments. The products are manufactured using a pouch-type (軟包) technique which has been awarded specialized accreditations such as the "National Torch Plan Industrialization Demonstration Project Certificate" (國家火炬計劃產業化示範項目證書). The product delivers excellent performance, a high level of safety-in-use and specific energy functions conducive to lightweight development and a prolonged battery life. Revenue from sales of the lithium-ion battery products for the Year amounted to approximately RMB141 million. The Group will continue to invest in the R&D of lithium-ion battery product technology in an effort to manufacture more advanced lithium-ion batteries with a better cost performance ratio.

Strengthening its sales channels and brand building

The Group continued to adopt an effective production strategy with plants strategically located in regions with greater demand for lead-acid motive batteries, such as Shandong, Anhui, Jiangsu, Zhejiang, Jiangxi, Henan and Hebei provinces in the PRC, enabling the Group to react to market changes flexibly while reducing storage and logistics costs to maintain efficient operations.

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 which makes regular visits to the management of these manufacturers to provide comprehensive sales services. For the secondary market, the Group operates an extensive distribution network spanning across all provinces within the country, providing customers with high-quality services. As at 31 December 2020, the Group had 1,978 independent distributors serving the secondary market.

The Group continued to practice a calibrated management model with regard to its distributors based on a flat management model. It also adopted the agency model to reduce the intermediaries in sales channels, while providing technical training and consulting services to independent distributors to enhance their sales capabilities. These efforts were complemented by comprehensive after-sales services and online anti-counterfeit enquiries to increase customer satisfaction regarding the "CHILWEE" brand. Moreover, the Group retained renowned movie star Mr. Donnie Yen as its brand ambassador to reinforce the brand image of "CHILWEE". During the Year, the Group also organized a number of new product launch conferences and industry exhibitions to promote products under the "CHILWEE" brand and to enhance its image as a brand with cutting-edge technology.

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 authoritative organizations 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 honored 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 of China's Light Industry" (中國輕工業百強企業) and the "Top 100 Science & Technology Enterprises in China's Light Industry" (中國輕工業科技百強企業), while topping the list of the "Top 10 Enterprises of New Energy Battery Industry in China's Light Industry" (中國輕工業新能源電池行業十強企業) for the eighth year in a row, being listed in the "Top 500 New Economy Enterprises" (中國新經濟企業500強) and being included in the fifth batch of Single Champion Demonstration Enterprises in Manufacturing industry (製造業單項冠軍示範企業 (第五批)) by MIIT.

Persistent effort in technological innovation

The Group is committed to an innovation-driven model and industry integration. It continues to strengthen its R&D in technology, improve product quality, invent superior technology, and achieve breakthroughs in the energy industry. The Group's R&D expenses for the Year amounted to approximately RMB857 million, equivalent to approximately 3.1% of its total revenue.

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 2020, the Group had more than ten renowned domestic and foreign experts on the team. In addition, the Group has been named as the 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 R&D platforms, such as the nationally-recognized enterprise technology center, nationally-accredited laboratory, national environmental protection engineering technology center, provincial key research institute, academician work station and national post-doctoral research work station. It has also established R&D centers overseas.

Future development strategy

Looking ahead to 2021, the Pandemic is generally under control in the PRC, while countries around the world are formulating mass vaccination plans, which are expected to gradually ease the Pandemic. While the global economy is expected to continue to recover in 2021, the speed of vaccination is one of the most important factors that affect the extent of economic rebound, and it is believed that the PRC and Asia will be the biggest drivers of global economic growth. The Group will closely monitor the development of the market, adopt flexible contingency measures, and adjust marketing and production strategies as and when appropriate.

On the other hand, with continuous improvement of industry regulations by the PRC government to promote industrial upgrade, the Group remains optimistic about the development potential of the lead-acid battery business. In the future, the Group will focus on technological innovation, and strive to achieve greater breakthroughs and achievements in the field of new energy.

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately RMB27,304,556,000 in the Year, which has increased by approximately 0.5% from approximately RMB27,181,732,000 in 2019. The increase in revenue was primarily attributable to net effect of the followings: (1) increase in sales volume; and (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 of lead-acid motive batteries.

Gross profit

The Group's gross profit amounted to approximately RMB3,297,333,000 in the Year, representing a decrease of approximately 2.8% from approximately RMB3,393,273,000 in 2019. The Group's gross profit margin in the Year was approximately 12.1% (2019: approximately 12.5%). The slight decrease in gross profit margin was primarily due to the increase in the proportion of sales of material including lead and active additives which has a relatively lower gross profit margin.

Other income and other gains and losses

The Group's other income and other gains and losses amounted to approximately RMB548,606,000 in the Year, representing an increase of approximately 114.9% from approximately RMB255,258,000 in 2019. The increase was mainly due to the gain on fair value of financial assets, comprising equity securities listed in Hong Kong, of approximately RMB284,151,000 for the Year.

Distribution and selling expenses

The Group's distribution and selling expenses amounted to approximately RMB718,945,000 in the Year, representing a decrease of approximately 13.2% from approximately RMB828,010,000 in 2019, which was primarily attributable to a decrease in staff costs, advertisements and transportation expenses resulting from cost saving measures in 2020. For the Year, the distribution and selling expenses as a percentage of revenue were approximately 2.6% (2019: approximately 3.0%).

Administrative expenses

The Group's administrative expenses were approximately RMB613,105,000 in the Year, representing a decrease of approximately 3.1% from approximately RMB632,801,000 in 2019, which was mainly due to the decrease in salary cost, travelling and consulting expenses resulting from cost saving measures.

R&D expenses

The Group's R&D expenses amounted to approximately RMB857,364,000 in the Year, representing an increase of approximately 7.5% from approximately RMB797,570,000 in 2019, which was primarily attributable to an increase in R&D expenditure on lead-acid batteries and other new technology products during the Year.

Finance costs

The Group's finance costs increased by approximately 23.6% from approximately RMB300,642,000 in 2019 to approximately RMB371,669,000 in the Year. The increase in finance costs was primarily due to an increase in interest expenses on bank borrowings.

Profit before tax

For the above reasons, the Group's profit before tax increased by approximately 32.3% to approximately RMB1,065,559,000 in the Year (2019: approximately RMB805,486,000).

Taxation

The Group's income tax expenses increased by approximately 14.1% to approximately RMB341,053,000 in the Year (2019: approximately RMB298,831,000). The effective tax rate was approximately 32.0% in the Year (2019: approximately 37.1%). The decrease in the effective tax rate was mainly due to the effect of preferential tax rate of 15% on income of 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 RMB720,397,000, representing an increase of approximately 28.3%, from approximately RMB561,340,000 in 2019. The increase was mainly due to the increase in other income and other gains and losses caused by gain on fair value of financial assets and the reduction of operating expenses caused by enhancement of the Group's operational efficiency during the Year.

Liquidity and financial resources

As at 31 December 2020, the Group had net current assets of approximately RMB644,490,000 (31 December 2019: net current assets of approximately RMB130,904,000). Cash and bank balances were approximately RMB2,552,548,000 (31 December 2019: approximately RMB1,958,428,000). Net debts, including borrowings, corporate bonds, lease liabilities, medium-term note and deducting cash and bank deposits (including restricted bank deposits), were approximately RMB2,414,359,000 (31 December 2019: approximately RMB2,579,920,000), which were mainly used to finance the capital expenditure and daily working capital of the Group. Borrowings were denominated in RMB, USD or HKD, of which approximately RMB4,957,932,000 bore interest at fixed rates and approximately RMB4,907,346,000 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 2020, the Group's current ratio (current assets/current liabilities) was 1.06 (31 December 2019: 1.01) and gearing ratio (net debts/total assets) was approximately 12.6% (31 December 2019: approximately 14.8%). 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 reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each of the reporting periods is as follows:

	2020	2019
	RMB'000	*RMB'000*
Buildings	**862,668**	1,058,086
Right-of-use assets	**119,629**	181,318
Deposits for borrowings	**79,986**	55,962
Receivables at FVTOCI	**631,655**	1,049,328
Restricted bank deposits	**1,332,206**	633,339

Capital commitments

	2020	2019
	RMB'000	*RMB'000*
Contracted but not provided for:		
— acquisition of property, plant and equipment	**194,512**	74,412
— acquisition of intangible asset	**8,025**	7,847
— capital contribution to associates	**23,200**	23,200
— capital contribution to a joint venture	**22,000**	22,000

Contingent liabilities

The Group had no contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

Human resources and employees' remuneration

As at 31 December 2020, the Group employed a total of 15,105 (31 December 2019: 15,296) staff members in the PRC and Hong Kong. During the Year, the total cost of employees amounted to approximately RMB1,555,367,000. 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the Year.

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 7 June 2021 to 10 June 2021 (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 2021.

The Board has resolved to recommend the payment of a final dividend of HKD0.117 per share for shareholders whose names appear on the Register of Members on 21 June 2021. The Register of Members will be closed from 17 June 2021 to 21 June 2021, both days inclusive, and the proposed final dividend is expected to be paid on or around 16 July 2021. 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 2021. 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 16 June 2021.

PUBLICATION OF ANNUAL REPORT

The full text of the Company's 2020 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, 28 March 2021

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.