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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **RENEWAL OF THE BATTERY PRODUCTION EQUIPMENT PURCHASE AGREEMENT**

##### **BATTERY PRODUCTION EQUIPMENT PURCHASE AGREEMENT (2022–2024)**

Reference is made to the announcements of the Company dated 29 December 2015 and 31 December 2015. Reference is also made to the announcement of the Company dated 28 December 2018 for the purchase of batteries intelligence manufacturing equipment and ancillary facilities from Zhejiang Doulan by Chaowei Power (for itself and on behalf of the Group) under the Battery Production Equipment Purchase Agreement (2019–2021) from 1 January 2019 to 31 December 2021. As the term of the Battery Production Equipment Purchase Agreement (2019–2021) will expire on 31 December 2021, on 17 December 2021, Chaowei Power (for itself and on behalf of the Group) and Zhejiang Doulan renewed the Battery Production Equipment Purchase Agreement (2019–2021) by entering into the Battery Production Equipment Purchase Agreement (2022–2024) for another term of three years commencing from 1 January 2022 and ending on 31 December 2024, renewable upon expiry (subject to compliance with the relevant provisions of the Listing Rules regarding continuing connected transactions).

##### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. Zhou is a controlling shareholder of the Company and an executive Director and therefore a connected person of the Company. Zhejiang Doulan is 60% owned by Mr. Zhou and is therefore an associate of Mr. Zhou and a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Battery Production Equipment Purchase Agreement (2022–2024) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (other than the profits ratio) as calculated in accordance with Chapter 14 of the Listing Rules for the proposed caps in respect of the Battery Production Equipment Purchase Agreement (2022–2024), on an annual basis, are less than 5% but the annual cap for each of the three years ending 31 December 2022, 31 December 2023 and 31 December 2024 is more than HK\$3,000,000, and that the transactions contemplated under the Battery Production Equipment Purchase Agreement (2022–2024) are on normal commercial terms, the Battery Production Equipment Purchase Agreement (2022–2024) and the transactions contemplated under it are subject to the reporting and announcement requirements but are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that the Battery Production Equipment Purchase Agreement (2022–2024) has been entered into on normal commercial terms, and the terms thereof are fair and reasonable and are entered into in the ordinary and usual course of the Company's business and in the interests of the Company and the Shareholders as a whole.

## **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcements of the Company dated 29 December 2015 and 31 December 2015. Reference is also made to the announcement of the Company dated 28 December 2018 for the purchase of batteries intelligence manufacturing equipment and ancillary facilities from Zhejiang Doulan by Chaowei Power (for itself and on behalf of the Group) under the Battery Production Equipment Purchase Agreement (2019–2021) from 1 January 2019 to 31 December 2021. As the term of the Battery Production Equipment Purchase Agreement (2019–2021) will expire on 31 December 2021, on 17 December 2021, Chaowei Power (for itself and on behalf of the Group) and Zhejiang Doulan renewed the Battery Production Equipment Purchase Agreement (2019–2021) by entering into the Battery Production Equipment Purchase Agreement (2022–2024) for another term of three years commencing from 1 January 2022 and ending on 31 December 2024, renewable upon expiry (subject to compliance with the relevant provisions of the Listing Rules regarding continuing connected transactions).

The principal terms of the Battery Production Equipment Purchase Agreement (2022–2024) are set out as follows.

### **Battery Production Equipment Purchase Agreement (2022–2024)**

**Date:** 17 December 2021

**Parties:** (1) Chaowei Power (as the buyer); and  
(2) Zhejiang Doulan (as the seller)

**Subject:** Chaowei Power will purchase batteries intelligence manufacturing equipment and ancillary facilities from Zhejiang Doulan.

- Term:** A term of three years from 1 January 2022 to 31 December 2024, renewable upon expiry (subject to compliance with the relevant provisions under the Listing Rules regarding continuing connected transactions).
- Consideration:** Pursuant to the Battery Production Equipment Purchase Agreement (2022–2024), Chaowei Power will purchase batteries intelligence manufacturing equipment and ancillary facilities from Zhejiang Doulan from time to time at price with reference to actual costs (including labour costs, costs of materials, technology development costs, rental expenses and depreciation expenses related to batteries intelligence manufacturing equipment and ancillary facilities ordered by Chaowei Power) plus a 20% to 25% gross profit margin of Zhejiang Doulan, which shall not, in any event, be higher than the prices of the products with comparable nature and scale charged by other Independent Third Party suppliers. For the purpose of ensuring the consideration being fair and reasonable, the Company has taken into account the following factors:
- (1) the quotations from Independent Third Parties for similar projects; and
  - (2) the historical price of similar projects procured by the Group.
- Payment:** Down payment of 30% of consideration of each order shall be paid within one week after placing of order, payment of a further 30% shall be paid before delivery, payment of 30% shall be paid within one month after completing equipment installation and debugging, and remaining balance of 10% shall be paid within one year after equipment installation.
- Delivery:** For each purchase, Chaowei Power will send an order to Zhejiang Doulan in advance, and Zhejiang Doulan will confirm the order within 7 days after the date of the order. The exact delivery date and venue will be confirmed by Chaowei Power and Zhejiang Doulan on a case-by-case basis. Zhejiang Doulan shall be responsible for delivery and set-up of the manufacturing line and ancillary facilities and relevant fees.

**Existing annual caps and historical transaction amounts:**

The table below sets out the existing annual caps (tax excluded) in respect of the purchase of batteries intelligence manufacturing equipment and ancillary facilities as contemplated under the Battery Production Equipment Purchase Agreement (2019–2021) and the historical transaction amounts (tax excluded) for the financial years ended 31 December 2019, 31 December 2020 and ending 31 December 2021:

	For the year ended 31 December 2019 <i>RMB'000</i>	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ending 31 December 2021 <i>RMB'000</i>
Existing annual caps	40,000	40,000	50,000
Historical transaction amounts	16,757	27,969	20,879 <sup>(Note)</sup>

*Note: Historical transaction amount for the eleven months ended 30 November 2021*

The historical transaction amounts has been lower than the existing annual caps primarily because the growth of Zhejiang Doulan's production capacity has been less than forecasted.

**Proposed annual caps:**

The table below sets out the proposed annual caps (tax excluded) in respect of the purchase of batteries intelligence manufacturing equipment and ancillary facilities as contemplated under the Battery Production Equipment Purchase Agreement (2022–2024) for the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024:

	For the year ending 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>	For the year ending 31 December 2024 <i>RMB'000</i>
Proposed annual caps	40,000	40,000	40,000

**Basis of the proposed annual caps:**

The proposed annual caps are determined based on, among other things, (1) the historical transaction amounts under the Battery Production Equipment Purchase Agreement (2019–2021), and (2) Zhejiang Doulan's expected growth in manufacturing capacity in the coming years and the Group's expected growth in demand for manufacturing equipment produced by Zhejiang Doulan, which is in line with the Group's increasing manufacturing capacity.

**Termination:** Chaowei Power may terminate the Battery Production Equipment Purchase Agreement (2022–2024) by giving a written termination notice to Zhejiang Doulan with a notice period of no less than 30 Business Days.

## **REASONS FOR AND THE BENEFITS OF ENTERING INTO THE BATTERY PRODUCTION EQUIPMENT PURCHASE AGREEMENT (2022–2024)**

The Group will enjoy timely delivery of stable batteries intelligence manufacturing equipment and ancillary facilities sourced from Zhejiang Doulan by entering into the Battery Production Equipment Purchase Agreement (2022–2024). The advanced nature and technical operability of the Group’s production could be safeguarded through the equipment provided by Zhejiang Doulan at reasonable prices. The Board considers that Zhejiang Doulan can dedicate more resources than other third party suppliers to research and design for some of the Group’s unique production processes and are able to design and manufacture the production equipment and ancillary facilities based on the Group’s specific production needs. Moreover, with Zhejiang Doulan providing maintenance and after-sales services of the production equipment, the Group can ensure the smooth operations of the production processes.

The Directors, including the independent non-executive Directors, are of the view that the Battery Production Equipment Purchase Agreement (2022–2024) has been entered into on normal commercial terms, and the terms thereof are fair and reasonable and are entered into in the ordinary and usual course of the Company’s business and in the interests of the Company and the Shareholders as a whole.

Since Zhejiang Doulan, being a party to the Battery Production Equipment Purchase Agreement (2022–2024) is an associate of Mr. Zhou, Mr. Zhou and his family members, being Mr. Zhou Longrui, Ms. Yang Yunfei, Mr. Yang Xinxin and Ms. Fang Jianjun have abstained from voting on the Board resolution approving the Battery Production Equipment Purchase Agreement (2022–2024) due to conflict of interests.

Save as disclosed above, no Director has a material interest in the Battery Production Equipment Purchase Agreement (2022–2024) and none of the Directors has abstained from voting on the relevant board resolution approving the Battery Production Equipment Purchase Agreement (2022–2024).

## **INFORMATION OF THE PARTIES**

The Group is principally engaged in the business of lead-acid motive battery manufacturing. Chaowei Power is an indirectly wholly-owned subsidiary of the Company and it is the principal operating subsidiary of the Group.

Zhejiang Doulan is principally engaged in research and development, manufacturing and sales of electrical machinery, electronic equipment and parts, as well as research and development, manufacturing and sales of automation equipment and control software, technical equipment, moulds, automation robotic arms, automations, intelligent production equipment and ancillary facilities. As at the date of this announcement, Zhejiang Doulan is owned as to 60% by Mr. Zhou and 40% by individuals who are Independent Third Parties.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Zhou is a controlling shareholder of the Company and an executive Director and therefore a connected person of the Company. Zhejiang Doulan is 60% owned by Mr. Zhou and is therefore an associate of Mr. Zhou and a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Battery Production Equipment Purchase Agreement (2022–2024) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (other than the profits ratio) as calculated in accordance with Chapter 14 of the Listing Rules for the proposed cap amount in respect of the Battery Production Equipment Purchase Agreement (2022–2024), on an annual basis, are less than 5% but the annual cap for each of the three years ending 31 December 2022, 31 December 2023 and 31 December 2024 is more than HK\$3,000,000, and that the transactions contemplated under the Battery Production Equipment Purchase Agreement (2022–2024) are on normal commercial terms, the Battery Production Equipment Purchase Agreement (2022–2024) and the transactions contemplated under it are subject to the reporting and announcement requirements but are exempt from circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Battery Production Equipment Purchase Agreement (2019–2021)”	the agreement dated 28 December 2018 entered into between Chaowei Power and Zhejiang Doulan, pursuant to which Chaowei Power agreed to purchase batteries intelligence manufacturing equipment and ancillary facilities from Zhejiang Doulan for a term from 1 January 2019 to 31 December 2021
“Battery Production Equipment Purchase Agreement (2022–2024)”	the agreement dated 17 December 2021 entered into between Chaowei Power and Zhejiang Doulan to renew the Battery Production Equipment Purchase Agreement (2019–2021), pursuant to which Chaowei Power will purchase batteries intelligence manufacturing equipment and ancillary facilities from Zhejiang Doulan for another three years commencing from 1 January 2022 to 31 December 2024
“Board”	the board of Directors
“Business Day(s)”	any day other than the statutory public holidays in the PRC, Saturdays and Sundays
“Chaowei Power”	Chaowei Power Co., Group Ltd.* (超威電源集團有限公司), a company incorporated in the PRC, an indirectly wholly-owned and principal operating subsidiary of the Group

“Company”	Chaowei Power Holdings Limited (超威動力控股有限公司), a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) not a connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhou”	Mr. Zhou Mingming (周明明), a controlling shareholder (as defined under the Listing Rules) of the Company, an executive Director and the chairman of the Board
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall not include the Hong Kong and Macau Special Administrative Regions of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Doulan”	Zhejiang Doulan Intelligence Equipment Co., Ltd.* (浙江兜蘭智能設備股份有限公司), a limited liability company established in the PRC on 25 June 2015
“%”	per cent

\* For identification purpose only

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

Changxing, Zhejiang Province, the PRC, 17 December 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.*