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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 2021

FINANCIAL HIGHLIGHTS

- Revenue for the Year was approximately RMB29,489 million (2020: approximately RMB27,305 million), representing an increase of approximately 8.0% from last year.
- Profit attributable to the owners of the Company for the Year was approximately RMB516 million (2020: approximately RMB720 million).
- Basic earnings per share for the Year amounted to RMB0.47 (2020: RMB0.65).
- The Board proposed to declare a final dividend of HKD0.087 per share for the Year (2020: HKD0.117), which will be subject to shareholders' approval at the annual general meeting, representing a total distribution of approximately HKD96.1 million (2020: approximately HKD129.2 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 2021 (the “Year”) together with the comparative figures for the year ended 31 December 2020. 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 2021

| | | 2021 | 2020 |
|--|--------------|---------------------|----------------|
| | <i>Notes</i> | RMB'000 | RMB'000 |
| Revenue | 3 | 29,488,819 | 27,304,556 |
| Cost of sales | | (26,164,322) | (24,007,223) |
| Gross profit | | 3,324,497 | 3,297,333 |
| Other income | | 473,528 | 322,508 |
| Other gains and other losses | | (74,197) | 215,710 |
| Distribution and selling expenses | | (839,687) | (718,945) |
| Administrative expenses | | (514,724) | (613,105) |
| Research and development expenses | | (929,292) | (857,364) |
| Impairment losses under expected credit loss model, net of reversal | | (328,515) | (157,922) |
| Finance costs | 4 | (321,846) | (371,669) |
| Share of losses of joint ventures | | (1,987) | (15,420) |
| Share of losses of associates | | (3,160) | (35,567) |
| Profit before tax | 5 | 784,617 | 1,065,559 |
| Income tax expense | 6 | (249,532) | (341,053) |
| Profit for the year | | 535,085 | 724,506 |
| Other comprehensive income(expense): | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation of financial statements of foreign operations | | 3,593 | (81) |
| Fair value gain on receivables at fair value through other comprehensive income ("FVTOCI") | | 526 | 238 |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> | | | |
| Fair value loss on equity instruments at FVTOCI | | - | - |
| Other comprehensive income for the year, net of income tax | | 4,119 | 157 |
| Total comprehensive income for the year | | 539,204 | 724,663 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 516,269 | 720,397 |
| Non-controlling interests | | 18,816 | 4,109 |
| | | 535,085 | 724,506 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 520,388 | 720,554 |
| Non-controlling interests | | 18,816 | 4,109 |
| | | 539,204 | 724,663 |
| Earnings per share | | | |
| — Basic and diluted (RMB) | 7 | 0.47 | 0.65 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

| | <i>Notes</i> | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 4,773,860 | 5,106,963 |
| Right-of-use assets | | 536,178 | 500,194 |
| Investment properties | | 1,650 | 40,058 |
| Goodwill | | 49,447 | 49,447 |
| Intangible assets | | 205,582 | 247,192 |
| Interests in joint ventures | | 72,134 | 147,243 |
| Interests in associates | | 43,089 | 57,260 |
| Equity instruments at FVTOCI | | 5,300 | 5,300 |
| Loan receivables | | 44,928 | 41,794 |
| Deferred tax assets | | 579,629 | 513,895 |
| Other receivables | | 11,154 | 48,090 |
| Amounts due from related parties | | 18,616 | 133,085 |
| Deposits paid for acquisition of property, plant and equipment | | 240,855 | 158,429 |
| | | 6,582,422 | 7,048,950 |
| CURRENT ASSETS | | | |
| Inventories | | 3,923,961 | 3,425,070 |
| Loan receivables | | 35,039 | 34,725 |
| Trade receivables | <i>9</i> | 2,205,165 | 1,938,261 |
| Receivables at FVTOCI | <i>10</i> | 1,660,973 | 1,087,511 |
| Prepayments and other receivables | | 1,464,904 | 1,302,702 |
| Financial assets at fair value through profit or loss (“FVTPL”) | | 214,500 | 275,123 |
| Derivative financial instruments | | 1,392 | – |
| Amounts due from related parties | | 91,761 | 215,860 |
| Restricted bank deposits | | 1,143,032 | 1,332,206 |
| Bank balances and cash | | 2,860,613 | 2,552,548 |
| | | 13,601,340 | 12,164,006 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 31 DECEMBER 2021

| | <i>Notes</i> | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| CURRENT LIABILITIES | | | |
| Trade payables | <i>11</i> | 2,711,383 | 2,633,901 |
| Bills payable | <i>12</i> | 1,869,391 | 1,377,478 |
| Other payables and accruals | | 1,456,679 | 1,516,464 |
| Contract liabilities | | 564,883 | 182,463 |
| Warranty provision | | 541,830 | 484,240 |
| Tax liabilities | | 232,054 | 392,338 |
| Lease liabilities | | 441 | 4,118 |
| Amounts due to related parties | | 25,088 | 21,168 |
| Borrowings | | 4,698,121 | 4,907,346 |
| | | 12,099,870 | 11,519,516 |
| NET CURRENT ASSETS | | | |
| | | 1,501,470 | 644,490 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 8,083,892 | 7,693,440 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 74,704 | 74,704 |
| Reserves | | 5,523,236 | 5,117,385 |
| Equity attributable to owners of the Company | | 5,597,940 | 5,192,089 |
| Non-controlling interests | | 782,745 | 832,515 |
| TOTAL EQUITY | | | |
| | | 6,380,685 | 6,024,604 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 20,877 | 14,979 |
| Lease liabilities | | 4,022 | 4,463 |
| Borrowings | | 1,451,348 | 1,383,186 |
| Deferred income | | 226,960 | 266,208 |
| | | 1,703,207 | 1,668,836 |
| | | 8,083,892 | 7,693,440 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 for the preparation of the consolidated financial statements:

| | |
|---|--|
| Amendments to IFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform — Phase 2 |

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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 ³ |
| Amendments to IFRS 3 | Reference to the Conceptual Framework ² |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| 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 ³ |
| Amendments to IAS 8 | Definition of Accounting Estimates ³ |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³ |
| 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 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

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.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---|--------------------------------|--------------------------------|
| Types of goods | | |
| Lead-acid motive batteries | | |
| Electric bike battery | 16,038,462 | 16,223,934 |
| Electric vehicle battery and special-purpose electric vehicle battery | 8,187,069 | 8,053,844 |
| Li-ion batteries | 245,914 | 141,016 |
| Renewable materials | 5,017,374 | 2,885,762 |
| | <u>29,488,819</u> | <u>27,304,556</u> |
| Total | 29,488,819 | 27,304,556 |
| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
| Timing of revenue recognition | | |
| At a point in time | <u>29,488,819</u> | <u>27,304,556</u> |

(ii) Performance obligations for contracts with customers

The Group sells lead-acid motive batteries, lithium-ion batteries and other related products to customers. Revenue is recognised when control of the goods has 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.

(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

| | 2021 | 2020 |
|---|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest expenses on: | | |
| Bank borrowings | 341,542 | 317,988 |
| Corporate bond | – | 21,456 |
| Medium-term note | – | 40,457 |
| Lease liabilities | 380 | 653 |
| | <hr/> | <hr/> |
| Total borrowing costs | 341,922 | 380,554 |
| Less: amounts capitalised in construction in progress | (20,076) | (8,885) |
| | <hr/> | <hr/> |
| | 321,846 | 371,669 |
| | <hr/> <hr/> | <hr/> <hr/> |

Borrowing costs capitalised during the year ended 31 December 2021 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.34% per annum (2020: 4.88% per annum) to expenditure on qualifying assets.

5. PROFIT BEFORE TAX

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

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Salaries and other benefits costs | 1,346,406 | 1,320,850 |
| Retirement benefits scheme contributions (<i>note i</i>) | 60,563 | 28,983 |
| Labour cost (<i>note ii</i>) | 156,654 | 177,061 |
| Share-based payments | 2,332 | 28,473 |
| | <hr/> | <hr/> |
| Total staff costs (including directors' emoluments) | 1,565,955 | 1,555,367 |
| Less: amounts capitalised in inventories | (1,197,889) | (1,191,441) |
| | <hr/> | <hr/> |
| | 368,066 | 363,926 |
| | <hr/> | <hr/> |
| Amortisation of intangible assets | 41,610 | 41,611 |
| Depreciation of property, plant and equipment | 662,774 | 541,430 |
| | <hr/> | <hr/> |
| Total depreciation and amortisation | 704,384 | 583,041 |
| Less: amounts capitalised in inventories | (374,972) | (367,063) |
| | <hr/> | <hr/> |
| | 329,412 | 215,978 |
| | <hr/> | <hr/> |
| Depreciation of investment properties | 645 | 3,558 |
| Depreciation of right-of-use assets | 14,000 | 14,368 |
| Cost of inventories recognised as an expense | 26,149,399 | 23,473,747 |
| Auditors' remuneration | 3,850 | 3,850 |
| Research and development costs recognised as expense | 929,292 | 857,364 |
| Gross rental income from investment properties | – | (4,430) |
| Less: direct operating expenses arising from investment properties generating rental income | – | 1,521 |
| | <hr/> | <hr/> |
| | – | (2,909) |
| | <hr/> <hr/> | <hr/> <hr/> |

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 insurance totaling approximately RMB371,000.
- (ii) The Group has entered into labour dispatch agreements with several service organisations providing labour resources to the Group.

6. INCOME TAX EXPENSE

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Current tax: | | |
| — PRC enterprise income tax | 291,104 | 285,304 |
| — Under (over) provision in prior years | 2,919 | (5,177) |
| Deferred tax (credit) charge | <u>(44,491)</u> | <u>60,926</u> |
| | <u>249,532</u> | <u>341,053</u> |

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% for a period of three years starting from 2019 to 2021 according to the PRC Tax Law.

Other subsidiaries established in the PRC were subject to income tax rate of 25% for the year ended 31 December 2021 (2020: 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 (2020: 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 2021, withholding tax on intra-group dividend amounting to RMB15,520,249 (2020: RMB17,861,285) 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:

| | 2021 | 2020 |
|--|-----------------------|------------------|
| | RMB'000 | RMB'000 |
| Profit before tax | <u>784,617</u> | <u>1,065,559</u> |
| Tax at the PRC's statutory income tax rate of 25% | 196,154 | 266,390 |
| Tax effect of income tax deduction granted to subsidiaries in research and development expenditure | (156,800) | (82,353) |
| Tax effect of expenses not deductible for tax purpose | 15,997 | 18,915 |
| Effect of preferential tax rates on income of certain subsidiaries | (19,181) | (13,241) |
| Tax effect of tax losses and deductible temporary differences not recognised | 190,631 | 131,653 |
| Utilisation of tax losses and deductible temporary differences previously not recognised | (2,545) | (7,308) |
| Tax effect of share of losses of associates | 790 | 8,892 |
| Tax effect of share of losses of joint ventures | 497 | 3,855 |
| Withholding tax on undistributed profits of PRC subsidiaries | 21,070 | 19,427 |
| Under (over) provision in prior years | <u>2,919</u> | <u>(5,177)</u> |
| Income tax expense for the year | <u>249,532</u> | <u>341,053</u> |

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:

| | 2021 | 2020 |
|--|-------------------------|------------------|
| | 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) | <u>516,269</u> | <u>720,397</u> |
| | 2021 | 2020 |
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | <u>1,104,127</u> | <u>1,104,127</u> |

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 2021 and 2020 because the exercise prices of these options were higher than the average market prices of the Company's shares for both years.

8. DIVIDENDS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Dividends declared for distribution during the year: | | |
| 2020 final dividend — HKD0.117 per share | 129,183 | — |
| 2019 final dividend — HKD0.084 per share | <u>—</u> | <u>92,747</u> |

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HKD96,059,000 (equivalent to RMB78,538,000) has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

In addition, the dividend of HKD129,183,000 (equivalent to RMB107,479,000) declared during the year ended 31 December 2020 was fully settled in cash in July 2021.

9. TRADE RECEIVABLES

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--|-------------------------|------------------------|
| Trade receivables — contracts with customers | 2,748,514 | 2,433,854 |
| Less: allowance for credit losses | <u>(543,349)</u> | <u>(495,593)</u> |
| | <u>2,205,165</u> | <u>1,938,261</u> |

As at 1 January 2020, carrying amount of trade receivables from contracts with customers amounted to RMB1,820,586,000 (net of credit loss allowance of RMB432,809,000).

The Group generally allows a credit period of 45 to 90 days to its trade customers with good trading history, or otherwise sales on cash terms are required.

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:

| | 2021 | 2020 |
|--------------|-------------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 0–45 days | 1,171,570 | 1,196,660 |
| 46–90 days | 396,760 | 290,088 |
| 91–180 days | 262,465 | 185,085 |
| 181–365 days | 258,819 | 195,380 |
| Over 1 year | 115,551 | 71,048 |
| | <u>2,205,165</u> | <u>1,938,261</u> |

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 the Group has derecognised these bills receivables.

As at 31 December 2021, 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 RMB625,931,000 and RMB148,396,000 (2020: RMB723,271,000 and RMB194,690,000), 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 (2020: 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:

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--------------|------------------------|------------------------|
| 0–30 days | 1,632,812 | 1,400,763 |
| 31–90 days | 682,191 | 779,650 |
| 91–180 days | 57,448 | 148,183 |
| 181–365 days | 72,444 | 79,844 |
| 1–2 years | 140,043 | 119,168 |
| Over 2 years | 126,445 | 106,293 |
| | <u>2,711,383</u> | <u>2,633,901</u> |

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:

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--------------|------------------------|------------------------|
| 0–90 days | 759,431 | 172,135 |
| 91–180 days | 1,096,460 | 1,103,325 |
| 181–360 days | 13,500 | 102,018 |
| | <u>1,869,391</u> | <u>1,377,478</u> |

CHAIRMAN’S STATEMENT

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

During the Year, the Group continued to adopt a prudent business strategy, enhanced its core competitiveness and maintained its steady business development. The Group’s performance highlights are as follows:

- Profit attributable to the owners of the Company reached approximately RMB516 million.
- Our industry leadership has long been highly recognised by authoritative institutions and the industry at large, consistently placing us on a number of well-known domestic and international Chinese enterprise ranking lists. During the Year, the Group again made it among the “Global Top 500 New Energy Enterprises” (全球新能源企業500強) and for the ninth consecutive year, placed first among 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), and also ranked on the 2021 “China Brand Valuation List” (中國品牌價值評價榜) of the China Council for Brand Development, marking a new high in brand value.
- The Group continued to run an innovation-driven business, developed innovative research projects and continued to improve its core competitiveness. Boasting excellent technological innovation capabilities and achievements, the Group has passed the evaluation and review and continued to be awarded the title of “National Model Enterprise of Technological Innovation” (國家技術創新示範企業).

The Group experienced stable business development during the Year, mainly attributable to the continuous upgrading of electric bikes and the sustainable development of on-demand delivery business, thereby supporting the steady growth of the electric bike market and the demand for lead-acid motive batteries in the People’s Republic of China (the “PRC”). In addition, the gradual rollout of various new regulations and industry policies for relevant electric bicycles not only brings positive impact to the electric bike market, but are also conducive to the consolidation of the industry in favor of leading players.

During the Year, drawing on its leading technological edges and with support from long-term customers, the Group was able to continuously and steadily develop its lead-acid motive battery business. The Group also continued to strengthen its different sales channels, deepen its brand building and actively carried out product marketing and promotion to enhance its brand influence and consolidate its market share.

Moreover, the Group pressed on with technological, product, production and management mode innovation, transforming and upgrading its production and manufacturing systems, making them better in terms of digitalisation, intelligence, scalability and standardisation. It also actively pursued research and development (“R&D”) of new products with the aim of raising production efficiency and opening new room to grow for its business in the future.

On behalf of the Group, I would like to express my sincere gratitude to all shareholders, our customers and business partners for their unwavering support and trust in the Group. I would also like to thank the Board, management team and our staff for their exceptional contribution. In 2022, we will continue to focus on technological innovation and strive for even greater breakthroughs and achievements in the new energy field, thereby making greater contribution to the society and shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Year, the Group’s total revenue amounted to approximately RMB29,489 million (2020: approximately RMB27,305 million). The Group’s gross profit was approximately RMB3,324 million (2020: approximately RMB3,297 million). Overall gross profit margin decreased to approximately 11.3% (2020: approximately 12.1%). Profit attributable to owners of the Company was approximately RMB516 million (2020: approximately RMB720 million).

INDUSTRY OVERVIEW

Electric bikes used in multi-scenarios drive continuous market growth

As one of the important means of transportation for people, electric bikes stand out with advantages of being economical, flexible and efficient, environmentally-friendly, less prone to traffic jams and easy to park. It is widely used for personal travel and on-demand delivery. Market research shows that in terms of on-demand delivery, more than 4 million of on-demand delivery riders in the PRC use electric bikes to deliver takeout and fresh products to 500 million people. During the Year, new national standards for electric bikes continued to be implemented, which brought a positive impact on the electric bike market. In addition, during the COVID-19 pandemic (the “Pandemic”), the public paid attention to social distancing, and electric bikes became an important means of transportation for daily short-haul travel, further stimulating the sales growth of electric bikes. According to the data of China’s Ministry of Industry and Information Technology, the current ownership of electric bikes in the PRC has exceeded 300 million. The market expects the sales volume of electric bikes in the PRC in 2022 will grow by approximately 14.9% year-on-year.

Steady development of electric tricycle and special-purpose electric vehicle markets

Electric tricycles — small in size, easy to maintain and to repair, and inexpensive — have been widely used for short-haul transportation in households, urban and rural areas, factories and mining areas, environmental sanitation and community cleaning, etc. The booming of e-commerce in the PRC under the Pandemic has continued to drive the demand for electric tricycles, large electric tricycles and special-purpose electric vehicles for short-haul transportation of goods, including courier services, and aiding warehousing and logistics.

Lead-acid motive batteries market remained stable

Currently, lead-acid motive batteries are still the main type of batteries used in electric bikes, accounting for approximately 90% market share. Due to its mature technology, low price, high recyclability and high utilisation rate, and since consumers of electric bikes, electric tricycles and electric four-wheelers for the elderly are more price-sensitive, the overall market has remained stable. In addition, lead-acid motive batteries need to be replaced regularly, about once every two years, thus the replacement market is huge and continually supports the demand.

Industry policies favouring leading enterprises

Since the “Safety Technical Specification for Electric Bicycles” (《電動自行車安全技術規範》), the “New National Standards” (新國標) officially took effect on 15 April 2019, the safety performance requirements of electric bikes became more stringent, strictly regulate the production specifications and riding of electric bikes nationwide. The New National Standards’ mandatory requirements for safety, lightweight and functionality of electric bikes favour leading enterprises which are large in scale, possess advanced technology, and have complete qualifications and numerous channels. During the Year, the transition period for electric vehicles not meeting standard in various regions, such as Beijing, Shanghai and Zhejiang expired, and the transition period for other regions, such as Shandong, Jiangxi and Guangxi, will expire between 2022 and 2024. Upon expiry of the transition period, non-compliant electric bikes will not be permitted to travel on the road, which will create greater demand for electric bikes in the replacement market and in turn directly boost the electric bike market.

The China Bicycle Association issued the “Collective Standard Regarding Food Delivery Vehicles Part 1: Food Delivery Electric Bicycles” (《外賣專用車第1部分：外賣電動自行車》團體標準) on 1 July 2021, which was officially implemented on 1 September of the same year. This standard clarifies the relevant standards and requirements for food delivery electric bikes. It is expected that the implementation of such standard will promote the development and replacement of food delivery electric bikes.

Improved standardised management of lead-acid motive battery products

During the Year, the Group led the formulation of two national standards, “Technical Specifications for Evaluation of Ecological Design Products–Battery Products” (《生態設計產品評價技術規範 — 電池產品》) and “Technical Specifications for Recycling Treatment of Waste Lead Storage Batteries” (《廢鉛蓄電池再生處理技術規範》), and participated in the formulation of the international standard “Lead-acid Starter Batteries Part 2–Kinds of Products and Specifications and Dimensions and Marking of Terminals” (《起動用鉛酸蓄電池第2部分 — 產品品種規格和端子尺寸、標記》). The two national standards, which were officially released during the Year, have driven standardisation of management and building of relevant system that covers the entire lifecycle of battery products, improved the overall standard of the industry and led the green and high-quality development of the industry.

BUSINESS REVIEW

Steady development of battery business

Lead-acid motive battery is the Group's core product. By continuously leading technological innovation in and high-quality development of the industry, the Group has maintained its leadership in the lead-acid motive battery industry and seen steady business development. Revenue from sales of lead-acid motive batteries for the Year amounted to approximately RMB24,226 million, accounting for approximately 82.2% of the Group's total revenue. Among which, revenue from sales of electric bike batteries amounted to approximately RMB16,038 million, accounting for approximately 54.4% of the Group's total revenue, and revenue from sales of electric tricycle batteries and special-purpose electric vehicle batteries amounted to approximately RMB8,187 million, accounting for approximately 27.8% of the Group's total revenue.

The Group is also engaged in the sales of lithium-ion battery products, which deliver excellent performance and have received professional recognitions such as the "National Torch Plan Industrialisation Demonstration Project Certificate" (國家火炬計劃產業化示範項目證書). Revenue from sales of lithium-ion battery products for the Year amounted to approximately RMB246 million. The Group will continue to improve product technology and put in its best effort to manufacture lithium-ion batteries with better quality and higher energy efficiency.

Leading industry position well-recognised by the market

As a leading enterprise in the new energy industry, the Group's industry position has been widely recognised by the industry due to its mature production craftsmanship, advanced technology and solid foundation. During the Year, leveraging its strengths in the new energy sector, the Group made it again among the lists of the "Global Top 500 New Energy Enterprises" (全球新能源企業500強) and the "China Top 500 Energy Groups" (中國能源(集團)500強). Actively pursuing technological innovation and intelligent manufacturing, the Group was awarded a place on the list of "Top 200 Smart Factories" (智能工廠Top 200).

During the Year, the Group continued to retain 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 "Fortune Top 500 Chinese Companies" (《財富》中國500強), and won a place among the "Top 500 Chinese Private-owned Enterprises" (中國民營企業500強), 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" (中國輕工科技百強企業), and for the ninth consecutive year took the top spot on the list of "Top 10 Enterprises of New Energy Battery Industry in China's Light Industry" (中國輕工業新能源電池行業十強企業).

Moreover, with outstanding company strengths and brand influence, the Group was listed on the 2021 “China Brand Valuation List” (中國品牌價值榜) compiled by the China Council for Brand Development, marking the rise of its brand value to a new height.

Adhere to innovation-driven development and boost industry development

The Group has always adhered to innovation-driven development, and by establishing various R&D platforms, attracted talent in various areas and developed strong technical strength. During the Year, the Group’s R&D expenses amounted to approximately RMB929 million, approximately 3.2% of the Group’s total revenue.

The Group is a technology leader in various sectors of the new energy industry. Armed with excellent technological innovation capability and related achievements, it passed the 2021 evaluation review and continued to be awarded the title of “National Model Enterprise of Technological Innovation” (國家技術創新示範企業). In addition, the Group is also a National Model Enterprise of Intellectual Property (國家技術創新示範企業) and a National Model Enterprise of Green Supply Chain Management (國家級綠色供應鏈管理示範企業).

As of 31 December 2021, the Group had more than 23 renowned domestic and foreign experts and established R&D platforms, including the national recognised enterprise technology center, the national accredited laboratory, the national environmental protection engineering technology center, the provincial key enterprise research institute, the academician workstation, the national post-doctoral scientific research work station, and the Pollution Control Engineering Technology Center of the State Environmental Protection Lead-Acid Battery Production and Recycling, as well as R&D centers established overseas.

Continued to deploy distribution network and strengthen brand image

The Group continued to implement its proven strategic deployment, placing production facilities in regions with greater demand for lead-acid motive batteries, including Shandong, Jiangsu, Henan, Zhejiang, Anhui, Jiangxi and Hebei provinces in the PRC, so as to reduce storage and logistics costs and enhance operational efficiency.

The Group has built a nationwide sales and distribution network in the PRC with full coverage of primary and secondary markets. In the primary markets, the Group maintains long-term cooperation with a number of top electric bike manufacturers and has a dedicated department to provide comprehensive sales services to major customers. In the secondary markets, the Group has an extensive distribution network covering all provinces and regions across the country and runs service hotlines nationwide, providing a comprehensive sales and service system that covers services ranging from online to offline, delivery to installation, and pre-sales to after-sales services.

In terms of market promotion, the Group's battery products sweep the nation with the challenge of endurance in various environments, demonstrating the high quality of "CHILWEE" battery products. Moreover, the Group has retained renowned movie star Mr. Donnie Yen as its brand ambassador for the 17th consecutive year and organised live-streaming product launches during the Year to consolidate its brand image.

Future development strategy

Looking ahead to 2022, the PRC economy will continue to recover. However, the pace of consumption recovery will still be affected by the Pandemic prevention and control policies. Facing the continuous challenges brought by the Pandemic, the Group will continue to closely monitor the changes and development of the market, actively adjust marketing and production strategies and look for opportunities amid challenges. At the same time, the Group will continue to adhere to technological innovation and green development, honoring its corporate mission of "Advocate Green Energy, Perfect Human Life" and leading the sustainable development of the industry.

In the future, the Group will persist with building brand reputation, draw on its strengths to enhance brand power, create cutting-edge quality with innovation and offer services to enhance consumer experience.

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately RMB29,488,819,000 in the Year, which has increased by approximately 8.0% from approximately RMB27,304,556,000 in 2020. The increase in revenue was primarily attributable to an increase in sales of renewable materials.

Gross profit

The Group's gross profit amounted to approximately RMB3,324,497,000 in the Year, representing an increase of approximately 0.8% from approximately RMB3,297,333,000 in 2020. The Group's gross profit margin in the Year was approximately 11.3% (2020: approximately 12.1%). The decrease in gross profit margin was primarily due to the increase in the proportion of sales of renewable materials which has a relatively lower gross profit margin.

Other income

The Group's other income amounted to approximately RMB473,528,000 in the Year, representing an increase of approximately 46.8% from approximately RMB322,508,000 in 2020, which was mainly due to an increase in government grants.

Distribution and selling expenses

The Group's distribution and selling expenses amounted to approximately RMB839,687,000 in the Year, representing an increase of approximately 16.8% from approximately RMB718,945,000 in 2020, which was primarily attributable to an increase in staff costs and transportation expenses. For the Year, the distribution and selling expenses as a percentage of revenue were approximately 2.8% (2020: approximately 2.6%).

Administrative expenses

The Group's administrative expenses were approximately RMB514,724,000 in the Year, representing a decrease of approximately 16.0% from approximately RMB613,105,000 in 2020, which was mainly due to a decrease in travelling and consulting expenses resulting from cost saving measures.

R&D expenses

The Group's R&D expenses amounted to approximately RMB929,292,000 in the Year, representing an increase of approximately 8.4% from approximately RMB857,364,000 in 2020, 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 decreased by approximately 13.4% from approximately RMB371,669,000 in 2020 to approximately RMB321,846,000 in the Year. The decrease in finance costs was primarily due to a decrease in interest expenses on medium-term note and corporate bond.

Profit before tax

For the above reasons, the Group's profit before tax decreased by approximately 26.4% to approximately RMB784,617,000 in the Year (2020: approximately RMB1,065,559,000).

Taxation

The Group's income tax expenses decreased by approximately 26.8% to approximately RMB249,532,000 in the Year (2020: approximately RMB341,053,000). The effective tax rate was approximately 31.8% in the Year (2020: approximately 32.0%). The decrease in the effective tax rate was mainly due to the increase in income tax deduction granted to subsidiaries in R&D expenditure during the Year.

Profit attributable to owners of the Company

In the Year, profit attributable to owners of the Company amounted to approximately RMB516,269,000, representing a decrease of approximately 28.3%, from approximately RMB720,397,000 in 2020. The decrease was mainly due to a reduction in other gains and other losses caused by loss on fair value of financial assets during the Year.

Liquidity and financial resources

As at 31 December 2021, the Group had net current assets of approximately RMB1,501,470,000 (31 December 2020: net current assets of approximately RMB644,490,000). Cash and bank balances were approximately RMB2,860,613,000 (31 December 2020: approximately RMB2,552,548,000). Net debts, including borrowings, lease liabilities and deducting cash and bank deposits (including restricted bank deposits), were approximately RMB2,150,287,000 (31 December 2020: approximately RMB2,414,359,000), 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 RMB4,148,530,000 bore interest at fixed rates and approximately RMB4,698,121,000 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 2021, the Group's current ratio (current assets/current liabilities) was 1.12 (31 December 2020: 1.06) and gearing ratio (net debts/total assets) was approximately 10.7% (31 December 2020: approximately 12.6%). 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:

| | 2021 | 2020 |
|--------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Buildings | 648,808 | 862,668 |
| Right-of-use assets | 89,844 | 119,629 |
| Deposits for borrowings | 43,904 | 79,986 |
| Receivables at FVTOCI | 1,413,237 | 631,655 |
| Restricted bank deposits | 1,143,032 | 1,332,206 |
| Inventory | 133,852 | – |

Capital commitments

| | 2021 | 2020 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Contracted but not provided for: | | |
| — acquisition of property, plant and equipment | 112,888 | 194,512 |
| — acquisition of intangible asset | 7,690 | 8,025 |
| — capital contribution to associates | 6,400 | 23,200 |
| — capital contribution to a joint venture | 174 | 22,000 |

Contingent liabilities

The Group had no contingent liabilities as at 31 December 2021 (31 December 2020: Nil).

Human resources and employees' remuneration

As at 31 December 2021, the Group employed a total of 13,062 (31 December 2020: 15,105) staff members in the PRC and Hong Kong. During the Year, the total cost of employees amounted to approximately RMB1,565,955,000. 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 authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares 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 C.2.1 of the Code requires the roles of chairman of the Board and chief executive officer to be separated. Mr. Zhou Mingming is currently both the chairman of the Board and chief executive officer of the Company. The Board considers that the current arrangement facilitates the execution of the Group's business strategies and maximises efficiency of its operation and is therefore beneficial to the Company and its shareholders as a whole.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 6 June 2022 to 9 June 2022 (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 1712–16, 17th Floor, Hopewell Centre, No.183 Queen’s Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 2 June 2022.

The Board has resolved to recommend the payment of a final dividend of HKD0.087 per share for shareholders whose names appear on the Register of Members on 17 June 2022. The Register of Members will be closed from 15 June 2022 to 17 June 2022, both days inclusive, and the proposed final dividend is expected to be paid on or around 15 July 2022. 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 9 June 2022. 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 14 June 2022.

PUBLICATION OF ANNUAL REPORT

The full text of the Company’s 2021 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, 31 March 2022

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.