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## **Chaowei Power Holdings Limited**

**超威動力控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 951)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the Period was approximately RMB13,264 million (the corresponding period of 2021: approximately RMB12,959 million).
- Gross profit for the Period was approximately RMB1,568 million (the corresponding period of 2021: approximately RMB1,448 million).
- Profit attributable to owners of the Company for the Period was approximately RMB301.3 million (the corresponding period of 2021: approximately RMB300.5 million).
- Basic earnings per share for the Period amounted to RMB0.27 (the corresponding period of 2021: RMB0.27).
- The Board resolved not to declare an interim dividend for the Period.

#### **INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors” or each the “Director”) of Chaowei Power Holdings Limited (the “Company”) is pleased to announce the unaudited interim financial results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 (the “Period”), together with the comparative figures for the corresponding period of 2021. These interim financial results have been reviewed by the Company’s auditor, Ernst & Young, Certified Public Accountants and the audit committee (the “Audit Committee”) of the Company.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>RMB'000</b>	RMB'000
		<b>(unaudited)</b>	(unaudited)
Revenue	4	<b>13,264,191</b>	12,959,494
Cost of sales		<b>(11,696,602)</b>	(11,511,356)
Gross profit		<b>1,567,589</b>	1,448,138
Other income		<b>257,436</b>	288,487
Other gains and losses		<b>32,168</b>	(29,505)
Impairment losses under expected credit loss model, net of reversal		<b>(26,902)</b>	(103,832)
Distribution and selling expenses		<b>(443,964)</b>	(367,351)
Administrative expenses		<b>(319,979)</b>	(250,850)
Research and development expenses		<b>(488,804)</b>	(383,450)
Finance costs		<b>(169,343)</b>	(180,355)
Share of results of associates		<b>(241)</b>	(1,093)
Share of results of joint ventures		<b>9,216</b>	936
Profit before tax	5	<b>417,176</b>	421,125
Income tax expense	6	<b>(109,900)</b>	(92,979)
<b>Profit for the period</b>		<b>307,276</b>	328,146
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<b>(1,657)</b>	3,845
Fair value loss/(gain) on receivables at fair value through other comprehensive income ("FVTOCI")		<b>(13,305)</b>	3,045
Other comprehensive income for the period, net of income tax		<b>(14,962)</b>	6,890
<b>Total comprehensive income for the period</b>		<b>292,314</b>	335,036
Profit for the period attributable to:			
Owners of the Company		<b>301,258</b>	300,520
Non-controlling interests		<b>6,018</b>	27,626
		<b>307,276</b>	328,146
Total comprehensive income for the period attributable to:			
Owners of the Company		<b>286,296</b>	307,410
Non-controlling interests		<b>6,018</b>	27,626
		<b>292,314</b>	335,036
Earnings per share			
— Basic and diluted (RMB)	7	<b>0.27</b>	0.27

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 JUNE 2022

		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>5,042,324</b>	4,773,860
Right-of-use assets		<b>532,821</b>	536,178
Investment properties		<b>1,327</b>	1,650
Goodwill		<b>49,447</b>	49,447
Intangible assets		<b>187,149</b>	205,582
Interests in joint ventures		<b>58,551</b>	72,134
Interests in associates		<b>39,029</b>	43,089
Equity instruments at FVTOCI		<b>11,118</b>	5,300
Loans receivable		<b>46,582</b>	44,928
Amounts due from related parties		–	18,616
Deferred tax assets		<b>593,992</b>	579,629
Prepayments and other receivables		<b>15,000</b>	11,154
Deposits paid for acquisition of property, plant and equipment		<b>369,333</b>	240,855
		<b>6,946,673</b>	6,582,422
<b>CURRENT ASSETS</b>			
Inventories		<b>4,552,507</b>	3,923,961
Trade receivables	9	<b>2,274,339</b>	2,205,165
Receivables at FVTOCI	10	<b>2,503,345</b>	1,660,973
Prepayments and other receivables		<b>1,797,458</b>	1,464,904
Loans receivable		<b>33,039</b>	35,039
Amounts due from related parties		<b>78,502</b>	91,761
Financial assets at fair value through profit and loss (“FVTPL”)		<b>151,828</b>	214,500
Derivative financial assets		–	1,392
Restricted bank deposits		<b>1,202,136</b>	1,143,032
Bank balances and cash		<b>2,744,398</b>	2,860,613
		<b>15,337,552</b>	13,601,340

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION (continued)**  
30 JUNE 2022

		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	2,578,417	2,711,383
Bills payable	12	3,007,327	1,869,391
Other payables and accruals		1,321,072	1,456,679
Contract liabilities		1,305,835	564,883
Tax liabilities		51,880	232,054
Borrowings		5,035,766	4,698,121
Amounts due to related parties		34,860	25,088
Lease liabilities		1,780	441
Derivative financial liabilities		1,020	–
Provision for warranty		485,184	541,830
		<u>13,823,141</u>	<u>12,099,870</u>
<b>NET CURRENT ASSETS</b>		<u>1,514,411</u>	<u>1,501,470</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>8,461,084</u>	<u>8,083,892</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		74,704	74,704
Reserves		5,727,755	5,523,236
Equity attributable to owners of the Company		<u>5,802,459</u>	<u>5,597,940</u>
Non-controlling interests		787,436	782,745
<b>TOTAL EQUITY</b>		<u>6,589,895</u>	<u>6,380,685</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		19,038	20,877
Deferred income		228,909	226,960
Borrowings		1,618,138	1,451,348
Lease liabilities		5,104	4,022
		<u>1,871,189</u>	<u>1,703,207</u>
		<u>8,461,084</u>	<u>8,083,892</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 January 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 7 July 2010.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and most of its subsidiaries. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are manufacturing and sales of lead-acid motive batteries, lithium-ion batteries and other related products.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2022 (the “Period”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the Period are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

### *Application of amendments to IFRSs*

In the Period, the Group has applied the following amendments to IFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 37	<i>Onerous Contracts — Costs of Fulfilling a Contract</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions</i>

The application of the amendments to references to the *Conceptual Framework* in IFRS Standards and the amendments to IFRSs in the Period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 4. REVENUE

##### (i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Lead-acid motive batteries		
Electric bike batteries	7,505,654	7,312,954
Electric car batteries and special-purpose electric car batteries	3,479,291	3,793,142
Li-ion batteries	154,733	87,705
Renewable materials	2,124,513	1,765,693
	<u>13,264,191</u>	<u>12,959,494</u>
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
At a point in time	<u>13,264,191</u>	<u>12,959,494</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 been transferred, and when the goods have been delivered to the customers' specific locations (upon 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 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 to 90 days to its trade customers with good trading history, or otherwise sales on cash terms are required.

## 5. PROFIT BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Wages and salaries	<b>610,119</b>	659,940
Contributions to retirement benefit scheme	<b>34,685</b>	30,231
Labour cost ( <i>note i</i> )	<b>82,585</b>	82,787
Share-based payments	<b>–</b>	2,332
	<hr/>	<hr/>
Total staff costs	<b>727,389</b>	775,290
Capitalised in inventories	<b>(483,315)</b>	(598,894)
	<hr/>	<hr/>
	<b>244,074</b>	176,396
	<hr/>	<hr/>
Amortisation of intangible assets	<b>18,433</b>	20,901
Depreciation of property, plant and equipment	<b>244,623</b>	271,387
	<hr/>	<hr/>
Total depreciation and amortisation	<b>263,056</b>	292,288
Capitalised in inventories	<b>(162,539)</b>	(216,240)
	<hr/>	<hr/>
	<b>100,517</b>	76,048
	<hr/>	<hr/>
Depreciation of investment properties	<b>323</b>	323
Depreciation of right-of-use assets	<b>2,486</b>	7,771
	<hr/>	<hr/>
Cost of inventories sold	<b>11,093,552</b>	11,311,439
Impairment losses recognised/(reversed) on ( <i>note ii</i> ):		
— trade receivables	<b>29,267</b>	114,662
— other receivables	<b>(2,365)</b>	(8,351)
— loans receivable	<b>–</b>	(361)
— amount due from related parties	<b>–</b>	(2,118)
	<hr/>	<hr/>
	<b>26,902</b>	103,832
	<hr/>	<hr/>
Loss on disposal of property, plant and equipment	<b>14,874</b>	8,067
Net foreign exchange losses/(gain)	<b>1,116</b>	(219)
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The Group has entered into labor dispatch agreements with several service organisations which have provided labor service to the Group.
- (ii) The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

## 6. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB’000</b>	<b>RMB’000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax:		
— PRC enterprise income tax	<b>120,198</b>	120,874
Underprovision in prior years		
— PRC enterprise income tax	<b>1,443</b>	2,919
Deferred tax credit	<b>(11,741)</b>	(30,814)
	<b><u>109,900</u></b>	<b><u>92,979</u></b>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax”, a new and high technical enterprise is subject to income tax at a preferential tax rate of 15%. Certain subsidiaries of the Company were qualified as new and high technical enterprises in accordance with the applicable EIT Law of the PRC and are subject to income tax at a preferential tax rate of 15%.

Other subsidiaries established in the PRC were subject to income tax at a rate of 25% for the Period (six months ended 30 June 2021: 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 Period (six months ended 30 June 2021: nil).



## 7. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share		
(profit for the period attributable to the owners of the Company)	<u><b>301,258</b></u>	<u>300,520</u>
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>'000</b>	<b>'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of		
basic earnings per share	<u><b>1,104,127</b></u>	<u>1,104,127</u>

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented because the exercise prices of these shares options were higher than the average market prices of the Company's shares for both periods.

## 8. DIVIDENDS

During the Period, a final dividend of HKD0.087 (equivalent to RMB0.075) per share in respect of the year ended 31 December 2021 (six months ended 30 June 2021: HKD0.117 (equivalent to RMB0.098) per share in respect of the year ended 31 December 2020) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the Period was HKD96,059,000 (equivalent to RMB81,777,000) (six months ended 30 June 2021: HKD129,183,000 (equivalent to RMB108,725,000)). The final dividend in respect of the year ended 31 December 2021 has been paid in July 2022.

The board of directors of the Company resolved not to pay dividend in respect of the Period (six months ended 30 June 2021: nil).

## 9. TRADE RECEIVABLES

	<b>30 June 2022</b>	31 December 2021
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	(audited)
Trade receivables — contracts with customers	<b>2,845,381</b>	2,748,514
Less: Allowance for credit losses	<b>(571,042)</b>	(543,349)
	<b><u>2,274,339</u></b>	<u>2,205,165</u>

The Group normally allows a credit period of 45 to 90 days to its trade customers with good trading history, or otherwise sales on cash terms are required. The following is an analysis of trade receivables by age, presented based on the revenue recognition date, net of allowance for doubtful debts as at 30 June 2022 and 31 December 2021:

	<b>30 June 2022</b>	31 December 2021
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	(audited)
0–45 days	<b>1,115,082</b>	1,171,570
46–90 days	<b>319,761</b>	396,760
91–180 days	<b>388,337</b>	262,465
181–365 days	<b>327,778</b>	258,819
Over 365 days	<b>123,381</b>	115,551
	<b><u>2,274,339</u></b>	<u>2,205,165</u>

## 10. RECEIVABLES AT FVTOCI

The balance as at 30 June 2022 represents bills receivable held by the Group which are 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. At 30 June 2022, bills receivable of the Group amounting to RMB1,449,382,000 (31 December 2021: RMB1,413,237,000) had been pledged as securities for obtaining the bank borrowings.

In addition, the Group has discounted certain bills receivable to banks and transferred certain bills receivable to its suppliers to settle its payables through endorsing the bills to its suppliers. These bills are issued or guaranteed by the reputable PRC banks with high credit ratings, therefore the directors consider the substantial risk in relation to these bills is interest risk as 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 receivable.

As at 30 June 2022, 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 RMB1,116,300,000 and RMB2,350,783,000 (31 December 2021: RMB625,931,000 and RMB148,396,000), respectively. All the bills receivable 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

The following is an analysis of trade payables by age, presented based on the invoice date, at 30 June 2022 and 31 December 2021:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
0–30 days	<b>1,264,409</b>	1,632,812
31–90 days	<b>769,931</b>	682,191
91–180 days	<b>97,141</b>	57,448
181–365 days	<b>150,171</b>	72,444
1–2 years	<b>133,028</b>	140,043
Over 2 years	<b>163,737</b>	126,445
	<b><u>2,578,417</u></b>	<u>2,711,383</u>

## 12. BILLS PAYABLE

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

## MANAGEMENT DISCUSSION & ANALYSIS

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

The Group's total revenue for the Period was approximately RMB13,264 million (corresponding period in 2021: RMB12,959 million). The gross profit was approximately RMB1,568 million (corresponding period in 2021: RMB1,448 million) and the overall gross profit margin was approximately 11.8% (corresponding period in 2021: 11.2%). Profit attributable to owners of the Company was approximately RMB301.3 million (corresponding period in 2021: RMB300.5 million). Basic earnings per share amounted to RMB0.27 (corresponding period in 2021: RMB0.27).

### Industry Review

#### *Production and ownership of electric bikes continue to grow*

As an important short-distance means of transportation in the People's Republic of China (the "PRC" or "China"), electric bikes stand out with advantages of being economical, environmentally-friendly and highly efficient, less prone to traffic jams, and have thus penetrated into many fields such as personal travel and on-demand delivery. Market research shows that in terms of on-demand delivery, over 4 million on-demand delivery riders in the PRC use electric bikes to provide takeaway and fresh food delivery services to 500 million users. During the Period, the gradual implementation of the "Safety Technical Specifications for Electric Bicycles" (《電動自行車安全技術規範》) (the "New National Standards" (新國標)) promulgated by the PRC government has driven the replacement demand for electric bikes. Coupled with the new travel habits of the public under the control measures of the COVID-19 pandemic (the "Pandemic"), more people opt for transportation, such as electric bikes, that can ensure social distancing and meet the needs for safe and healthy travel, which will further drive the sales growth of electric bikes.

According to the China Bicycle Association, the production volume of electric bikes in the PRC exceeded 45 million units in 2021, representing a year-on-year increase of approximately 10.3%. According to the Ministry of Industry and Information Technology of the PRC, the ownership of electric bikes in the PRC is expected to reach 400 million by 2022.

### *Strengthening regulations of electric tricycles to release enormous replacement demand*

Along with the increasingly standardised and strict regulations of electric bikes, China has also strengthened the market supervision of electric tricycles. Zhejiang Province, the PRC first launched the “Zhepin Code” (浙品碼) that enables an electric tricycle which completes vehicle licensing to show the relevant information such as the vehicle, battery, and vehicle owner by scanning the QR code on its vehicle frame and batteries. Beijing subsequently announced the implementation of “one vehicle, one battery and one code” (一車一池一碼). Without the code, production or sales of electric tricycle will not be allowed, no license will be obtained, and such electric tricycles will not be permitted to travel on the road, which forms a full chain management from production to sales of electric tricycle. The new policies will help to eliminate non-compliant and unqualified electric tricycle enterprises, promote the upgrade and integration of the electric tricycle industry.

### *Demand for lead-acid motive batteries remains stable*

Lead-acid motive batteries are well established in the electric bike sector, and at this stage, the market is dominated by lead-acid motive batteries, accounting for approximately 90%. The consumer groups of electric bikes, electric tricycles and electric four-wheelers for the elderly are more sensitive to price. The market share of lead-acid motive batteries will continue to be stable due to their high cost-performance, stable and reliable performance, excellent safety and high recyclability. In addition, lead-acid motive batteries have a two-year replacement cycle, and the replacement market is huge which contributes to stable demand.

### *Industry policies bode well for leading enterprises*

The New National Standards have been officially implemented since 15 April 2019, which comprehensively improves the safety performance requirements of electric bikes, strictly regulates the parameters and indicators such as vehicle quality and speed limits on electric bikes nationwide, and promotes the demand for the upgrade of electric bikes. This, in turn is conducive to the development of leading enterprises producing high-quality and high-specification lead-acid batteries for electric bikes.

As different regions in China have set specific transitional periods for the New National Standards, in 2021, the transitional period for excessive electric vehicles in various regions such as Beijing and Shanghai has ended, and the transitional period in other regions such as Shaanxi will end successively from 2023 to 2024. After the end of the transition period, the electric bikes which are not in compliance with the New National Standards will be prohibited on the road, which will continue to drive the replacement demand for electric bikes.

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, and provides significant support for the upgrade and replacement of food delivery electric bikes.

#### *Policies encourage the development of new energy storage*

On 29 January 2022, the National Development and Reform Commission of the PRC and the National Energy Administration issued the “14th Five-Year Plan for the Development of New Energy Storage” (《「十四五」新型儲能發展實施方案》) to thoroughly implement the new energy security strategy of “Four Revolutions and One Cooperation” (「四個革命、一個合作」), and achieve the strategic goals of “Carbon Peak” and “Carbon Neutrality” (「碳達峰」、「碳中和」). This strategic initiative also supports the construction of a new power system, accelerates the promotion of high-quality and large-scale development of new energy storage, and improves the energy storage industry chain both upstream and downstream. Since 2022, over 20 provinces and cities across China have successively introduced over 60 energy storage policies to encourage the development of new energy storage showing the huge market and development potential of the industry. The Group will fully leverage its over 20 years of experience in the energy storage field to realise a new milestone.

### **Business Review**

#### *Stable development of battery business*

The lead-acid motive battery is the Group’s core product. With its independent research and development (“R&D”) capabilities and strategic vision, the Group has continuously improved its product quality and performance and maintained its leading position in the industry and stable business development. During the Period, revenue from sales of lead-acid motive batteries amounted to approximately RMB10,985 million, accounting for approximately 82.8% of the Group’s total revenue, among which revenue from sales of electric bike batteries amounted to approximately RMB7,506 million, accounting for approximately 56.6% of total revenue. Revenue from sales of electric tricycle batteries and special-purpose electric vehicle batteries amounted to approximately RMB3,479 million, accounting for approximately 26.2% of the Group’s total revenue.

The Group is also engaged in the sales of lithium-ion battery products, which 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). In addition, the Group joined hands with Ping An Insurance to maintain a liability insurance in relation to lithium batteries, so as to ensure the safety of lithium battery users, highlighting its excellent and superior performance of our products. During the Period, the sales revenue of lithium-ion battery products was approximately RMB155 million.

### *Refining sales network to reinforce brand influence*

The Group has established a sales and distribution network across the PRC, covering both the primary and secondary markets. In the primary market, the Group has maintained long-term cooperation with a number of top electric bike manufacturers to provide comprehensive sales services through its major customer relations departments. In the secondary market, the Group has distribution network and service outlets, covering all provinces and regions across the country, as well as a national service hotline and a comprehensive sales and after-sales service system for the realisation of a full range of online and offline services. During the Period, in order to provide customers with better service and product experience, the Group has carried out innovations and reforms on nationwide sales channels, striving to expand into more benchmark markets.

The Group will continue to adopt the deployment strategy which involves manufacturing near its target markets, and has, therefore, established production facilities in areas with higher 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 improve operational efficiency.

In terms of marketing, the Group has engaged Mr. Donnie Yan, a famous movie star, as its brand spokesperson for 18 consecutive years to deepen its brand influence. With the easing of the Pandemic, the Group seized the opportunity to actively carry out marketing activities. In addition to holding a number of “CHILWEE Graphene Battery Mileage Challenges” (超威超能石墨烯電池里程挑戰賽) in different counties and cities to demonstrate its product advantages. The Group also cooperated with well-known brands to launch the 100km Challenge and implemented precise marketing to empower and establish connections with customers. The Group also continued to build the brand of “CHILWEE” online and offline by producing promotional videos, so as to enhance its reputation, influence and competitiveness.

### *Brand with significant influence and numerous market recognitions*

As one of the earliest domestic enterprises to engage in the R&D and production of power batteries and energy storage batteries, the Group has been highly recognised by the Chinese government and the industry for a long time. During the Period, 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 Enterprises” (《財富》中國500強), and the “Top 500 Chinese Private-owned Enterprises” (中國民營企業500強). It continued to win a place among the “Top 100 Enterprises of China’s Light Industry” (中國輕工業百強企業) and ranked first in the battery industry among the “Top 100 Enterprises in China’s Light Industry in Research and Development Capability” (中國輕工業百強企業研發能力), and for the tenth consecutive year took the top spot on the list of “Top 10 Enterprises of the 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). In addition, with its strong technological innovation and outstanding achievements, the Group was successfully listed among the “Top 500 National Technological Innovation Enterprises” (全國科技創新企業500強).



### *Adhering to continuous development in battery industry driven by technology innovation*

The Group has always adhered to scientific and technological innovation as the primary driving force for development, and has been continuously expanding its talent pool and enhancing its R&D capabilities. With the high-end product quality of “CHILWEE”, the Group has demonstrated its outstanding strength and led the energy storage industry. During the Period, the Group’s R&D expenses amounted to approximately RMB489 million, representing approximately 3.7% of the Group’s total revenue.

As of 30 June 2022, the Group had more than 20 renowned domestic and foreign experts. In addition, the Group is designated as the National Model Enterprise of Technological Innovation and the National Model Enterprise of Intellectual Property, and has established R&D platforms such as a nationally recognised enterprise technology centre, a nationally recognised laboratory, national environmental protection engineering technology centre, a key enterprise research institute, an academician workstation, a national post-doctoral scientific research workstation, and a national environmental protection lead-acid battery production and recycling pollution prevention engineering technology centre, and had a number of technology R&D centres around the world. In addition, as a leading enterprise in the battery industry, the Group has also actively participated in the formulation of a number of industry standards to contribute to the development of the industry through “CHILWEE”.

### **Future Development Strategies**

Despite changes in both the domestic and international situations, the fundamentals of China’s economy, which is stable and sound with outstanding potential, great resilience, strong vitality and long-term growth remain unchanged. The Group will closely monitor market changes and adjust its marketing and production strategies in a timely manner in response to the economic recovery situation in China. It is expected that the overall lead-acid battery market will maintain steady growth in the second half of 2022.

In the future, the Group will continue to focus on the development of motive batteries and high-efficiency battery products with superior performance, longer lifespan and high environmental friendliness, and fulfill the development mission of “Advocate Green Energy, Perfect Human Life” (「倡導綠色能源，完美人類生活」), striving to become a global leading manufacturer, operator and service provider of new energy.

### **Financial Review**

#### *Revenue*

The Group’s revenue for the Period amounted to approximately RMB13,264,191,000, representing an increase of approximately 2.4% from approximately RMB12,959,494,000 for the same period in 2021. The increase in revenue was mainly due to an increase in sales of renewable materials.



### *Gross profit*

The Group's gross profit for the Period amounted to approximately RMB1,567,589,000, representing an increase of approximately 8.2% from approximately RMB1,448,138,000 for the same period in 2021. The Group's gross profit margin for the Period was approximately 11.8% (the corresponding period of 2021: approximately 11.2%). The increase in gross profit margin was primarily due to: (1) higher pricing of lead-acid motive batteries as compared to the same period in 2021; (2) a decrease in production cost caused by a reduction in the amount of lead used per battery and also by production cost saving measures.

### *Other income*

The Group's other income for the Period amounted to approximately RMB257,436,000, representing a decrease of approximately 10.8% compared to approximately RMB288,487,000 for the same period in 2021. The decrease was mainly due to a decrease in the government grants received during the Period.

### *Distribution and selling expenses*

The Group's distribution and selling expenses for the Period amounted to approximately RMB443,964,000, representing an increase of approximately 20.9% from approximately RMB367,351,000 for the same period in 2021, which was primarily attributable to an increase in logistics and transportation expenses arising from the government's strict control measures of the Pandemic in March to May during the Period.

### *Administrative expenses*

The Group's administrative expenses for the Period were approximately RMB319,979,000, representing an increase of approximately 27.6% from approximately RMB250,850,000 for the same period in 2021, which was primarily due to the additional staff cost and other administrative expenses incurred during the outbreak of Pandemic in March to May during the Period.

### *R&D expenses*

The Group's R&D expenses for the Period amounted to approximately RMB488,804,000, representing an increase of approximately 27.5% from approximately RMB383,450,000 for the same period in 2021, which was primarily due to an increase in R&D expenditure on lead-acid batteries and other new technology products during the Period.

### *Finance costs*

The Group's finance costs for the Period decreased by approximately 6.1% from approximately RMB180,355,000 for the corresponding period of 2021 to approximately RMB169,343,000, which was primarily due to a decrease in interest rates of bank borrowings during the Period.

### *Profit before taxation*

For the above reasons, the Group's profit before tax for the Period decreased by approximately 0.9% to approximately RMB417,176,000 (the corresponding period of 2021: approximately RMB421,125,000).

### *Taxation*

The Group's income tax expenses for the Period increased by approximately 18.2% to approximately RMB109,900,000 (the corresponding period of 2021: approximately RMB92,979,000). The effective tax rate for the Period was approximately 26.3% compared to approximately 22.1% for the same period in 2021. The higher in effective tax rate in 2021 was mainly due to a decrease in deferred tax credit.

### *Profit attributable to owners of the Company*

Profit attributable to owners of the Company for the Period amounted to approximately RMB301,258,000, representing an increase of approximately 0.2%, from approximately RMB300,520,000 for the corresponding period in 2021.

### *Liquidity and financial resources*

As at 30 June 2022, the Group had net current assets of approximately RMB1,514,411,000 (31 December 2021: approximately RMB1,501,470,000), of which cash and bank balances were approximately RMB2,744,398,000 (31 December 2021: approximately RMB2,860,613,000). Net debt, including borrowings, lease liabilities and deducting cash and bank deposits (including restricted bank deposits), were approximately RMB2,714,254,000 (31 December 2021: approximately RMB2,150,287,000). The borrowings were mainly used to finance capital expenditure, the purchases of raw materials and operations of the Group. They were denominated in RMB, USD or HKD, of which approximately RMB4,074,603,000 bore interests at fixed rates and approximately RMB5,035,766,000 were repayable within 1 year. The Group adopted centralised financing and treasury policies in order to ensure that the Group's funding is utilised efficiently and it monitors its interest rate risks in a conservative manner.

As at 30 June 2022, the Group's current ratio (current assets/current liabilities) was approximately 1.11 (31 December 2021: approximately 1.12) and gearing ratio (net debt/total assets) was approximately 12.2% (31 December 2021: approximately 10.7%). The Group had sufficient cash and available banking facilities to meet its commitments and working capital requirements. The current cash position enables the Group to explore potential investment and potential business development opportunities to expand its market share in the PRC.

#### *Exchange rate fluctuation risk*

As the Group's operations are mainly conducted in the PRC and the majority of the sales and purchases are transacted in RMB, the Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks.

#### *Pledge of assets*

At the end of the Period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each of the reporting periods is as follows:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Property, plant and equipment	<b>689,132</b>	648,808
Right-of-use assets	<b>107,666</b>	89,844
Deposits for borrowings	<b>100,229</b>	43,904
Receivables at FVTOCI	<b>1,449,382</b>	1,413,237
Restricted bank deposits	<b>1,202,136</b>	1,143,032
Inventory	<b>82,574</b>	133,852
	<hr/>	<hr/>
Total	<b><u>3,631,119</u></b>	<u>3,472,677</u>

#### *Contingent liabilities*

The Group had no contingent liabilities as at 30 June 2022 (31 December 2021: Nil).

### *Human resources and employees' remuneration*

As at 30 June 2022, the Group employed a total of 14,000 (30 June 2021: 14,087) staff members in the PRC and Hong Kong. During the Period, the total cost of employees amounted to approximately RMB727,389,000 (30 June 2021: approximately RMB775,290,000). The Group sought to further strengthen staff training by offering focused training programs and study tours to management and professional technical personnel, and disseminating the latest government policy information on the lead-acid motive battery industry to all staff within the Period. The Group continued to strive for the enhancement of professional standards and overall qualities of its staff. The Group also provided competitive salary packages to its staff, encouraging them to be fully dedicated to their work and to leverage their capabilities in serving its customers.

### **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 Period.

### **CORPORATE GOVERNANCE**

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

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

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions of the Directors, senior management and relevant employees (who, because of their office in the Company, are likely to be in possession of inside information) of the Company on terms no less exacting than the required standard of dealings specified in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code and the Company's own code of conduct regarding Directors' securities transactions during the Period.

## **AUDIT COMMITTEE**

The Company has established the Audit Committee. Its primary duties include, among other things, the review and supervision of the Group's financial reporting process, risk management and internal control systems. The Audit Committee comprises all four independent non-executive Directors, 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, Ernst & Young, and has reviewed the accounting principles and practices adopted by the Group and the unaudited results of the Group for the Period. The Audit Committee considered that the unaudited consolidated results of the Group for Period 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.

## **INTERIM DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the Period.

## **GENERAL INFORMATION**

The Group's unaudited condensed consolidated financial statements for the Period have been reviewed by the Company's auditor, Ernst & Young, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

## **PUBLICATION OF INTERIM REPORT**

The full text of the Company's 2022 interim report for the Period will be sent to the shareholders of the Company and posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chaowei.com.hk](http://www.chaowei.com.hk)), respectively in due course.

## **APPRECIATION**

The Board would like to take this opportunity to express gratitude to our shareholders and the public for their continued support and to all staff for their hard work and commitment.

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

Changxing, Zhejiang Province, the PRC, 30 August 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.*