雅迪集團控股有限公司

YADEA GROUP HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1585

2019
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Dong Jinggui (Chairman)
Ms. Qian Jinghong (appointed as chief executive officer on 14 May 2019)
Mr. Liu Yeming (resigned on 14 May 2019)
Mr. Shi Rui (resigned on 26 November 2019)
Mr. Shen Yu

Non-executive Director:

Mr. Zhang Yiyin (appointed on 29 April 2019)

Independent Non-executive Directors:

Mr. Li Zongwei
Mr. Wu Biguang
Mr. Yao Naisheng
Mr. Wong Lung Ming (appointed on 29 April 2019)

AUDIT COMMITTEE

Mr. Li Zongwei (Chairman)
Mr. Wu Biguang
Mr. Yao Naisheng
Mr. Wong Lung Ming
Mr. Zhang Yiyin

REMUNERATION COMMITTEE

Mr. Wu Biguang (Chairman)
Mr. Yao Naisheng
Mr. Zhang Yiyin
Mr. Wong Lung Ming

NOMINATION COMMITTEE

Mr. Dong Jinggui (Chairman)
Ms. Qian Jinghong
Mr. Zhang Yinyin
Mr. Yao Naisheng
Mr. Wu Biguang
Mr. Li Zongwei
Mr. Wong Lung Ming

JOINT COMPANY SECRETARIES

Mr. Shen Yu
Ms. Lam Yuk Ling

AUTHORISED REPRESENTATIVES

Ms. Qian Jinghong (appointed on 14 May 2019)
Ms. Lam Yuk Ling
Mr. Liu Yeming (resigned on 14 May 2019)

REGISTERED OFFICE

Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Xishan Road
Dacheng Industrial Zone
Anzhen Town
Xishan District
Wuxi, Jiangsu Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two,
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISOR

As to Hong Kong Law:
Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central Hong Kong

PRINCIPAL BANKERS

Bank of Nanjing, Wuxi Xishan Branch
No. 1 East Xihu Road
Wuxi, Jiangsu Province China

China Construction Bank, Cixi Branch
No. 279 Shishan Road
Cixi, Zhejiang Province China

China Everbright Bank, Tianjin Huayuan Branch
No. 62–68 Caizi Yuan Junction of Huayuan Road
and Yashi Avenue
Nankai District, Tianjin China

STOCK CODE

1585

WEBSITE

www.yadea.com.cn

CORPORATE PROFILE

Founded in 2001 and headquartered in Wuxi, Yadea Group Holdings Ltd. ("**Yadea**" or the "**Company**" and together with its subsidiaries, the "**Group**") is a leading electric two-wheeled vehicle brand in the People's Republic of China ("**PRC**"), focusing on designing, researching, developing, manufacturing and selling electric scooters, electric bicycles and related accessories. Over the course of 19 years, it has successfully established "Yadea" as a premium brand of electric two-wheeled vehicles in the PRC. Under "Yadea" brand, the Group offers a wide range of electric scooters and electric bicycles with diverse designs, styles and functionalities catering to the needs of a broad customer base. As at 31 December 2019, the Group had 100 models of electric scooters and 62 models of electric bicycles for customers to choose from.

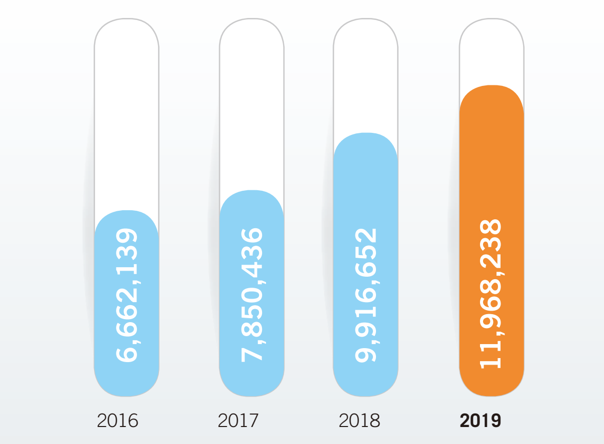
The Group has four self-operated production facilities located in Wuxi, Tianjin, Cixi and Qingyuan, respectively. As of 31 December 2019, the Group had annual electric two-wheeled vehicle production capacity of approximately 8.0 million units, supported by more than 4,000 employees. It also has a strong research and development team based in Shanghai and Wuxi with 335 research and development professionals with various product design background for electric two-wheeled vehicles.

The Group's domestic network covered almost every administrative region of the PRC and consisted of 2,155 distributors as well as their sub-distributors with over 12,000 points of sales as at 31 December 2019. The Group also had export sales to over 80 countries through its international distribution network.

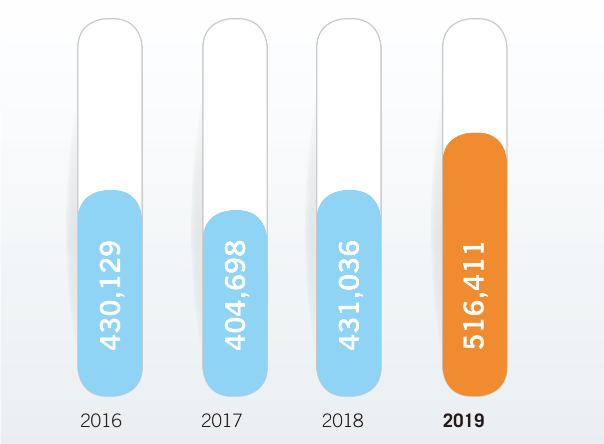
The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 May 2016 under the stock code of 1585.

FINANCIAL HIGHLIGHTS

REVENUE
RMB'000

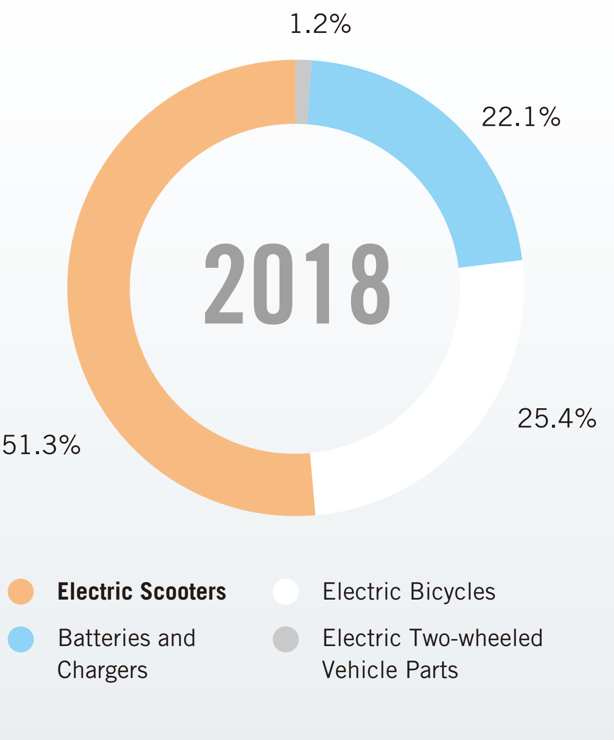


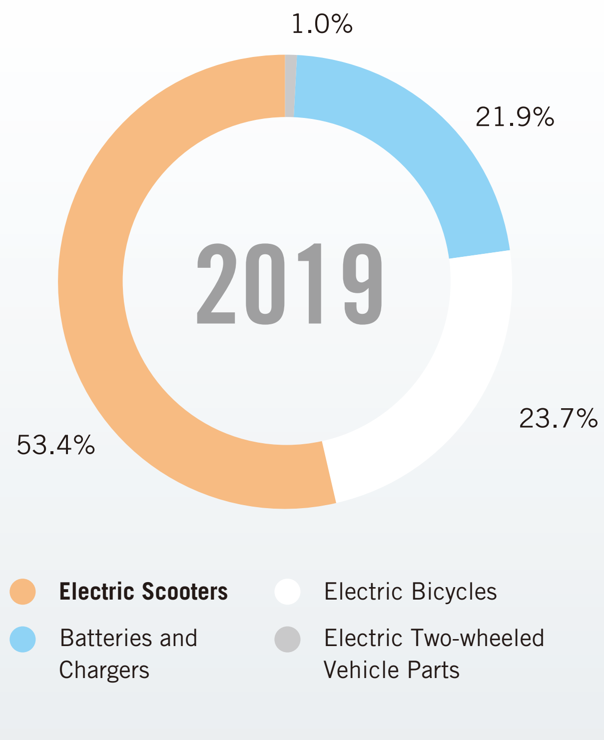
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
RMB'000



Consolidated revenue increased 20.7% year-on-year to RMB11,968.2 million

REVENUE GENERATED BY PRODUCT TYPE





CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**11,968,238**	9,916,652	7,850,436	6,662,139	6,429,187
Cost of sales	**(9,890,100)**	(8,297,067)	(6,682,040)	(5,309,375)	(5,211,994)
Gross profit	**2,078,138**	1,619,585	1,168,396	1,352,764	1,217,193
Profit before tax	**603,357**	478,744	479,328	554,416	490,867
Income tax expense	**(83,087)**	(46,427)	(74,326)	(124,287)	(115,400)
Profit for the year attributable to					
– Owners of the parent	**516,411**	431,036	404,698	430,129	375,467
– Non-controlling interests	**3,859**	1,281	304	–	–

CONDENSED CONSOLIDATED ASSETS AND LIABILITIES

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**10,746,333**	7,759,187	7,005,122	5,865,962	3,989,768
Total liabilities	**7,602,503**	4,939,469	4,528,018	3,645,392	3,207,931
Total equity	**3,143,830**	2,819,718	2,477,104	2,220,570	781,837

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present to you the annual results of the Group for the year ended 31 December 2019.

2019 is an extraordinary year for the Group. Despite the trade tensions and challenging macro environment, the Group delivered record volume, sales and profit. The Group sold an aggregate of approximately 6,093,700 units of electric two-wheeled vehicles during the year, up by 20.9% from the previous year. Revenue of the Group is up by approximately 20.7% to RMB11,968.2 million in 2019. This is a real testament to the strength of "Yadea"'s brand, products and leading position in the electric two-wheeled vehicles market in the PRC.

The outstanding performance of the Group is largely benefited from the implementation of new national standards for electric bicycles in the PRC and attributed to the management's long-term commitment in product quality and innovation, research and development capability and brand-management. In April 2019, the Chinese government implemented new national standards for electric bicycles, specifying electric bicycles' pedalling functions, total weight, motor power as well as other technical requirements including tamper-proof, fire-proof and charger protection systems. Thanks to the management's consistent commitment in emphasising product quality and innovation, research and development capability and brand-management, the change in the industry actually posed a favourable environment for existing market leaders like Yadea. Since new national standards coming into play in April, the sales volume of the Group's electric two-wheeled vehicles has been showing an upward trend.

In addition, through tyreless efforts from the Group's staff team and with management's excellent operational execution and effectiveness of its development strategy, the Group has also garnered fruitful results in both business expansion and research and development. Among such accomplishments, the Group has achieved positive progress in the areas of broadening distribution network, boosting marketing effort and deepening cooperation with distributors to reach a broader customer base. The Group also has a technology breakthrough on graphene battery, which able to tackle common issues such as battery durability and charging speed that the industry needs to address.

As chairman and executive Director of the Group, I, together with our management team, will remain steadfast in our position and continue to bring fresh dynamics to drive the Group's future growth and sustainable development, take the Company to greater heights, and bring maximum returns to our shareholders. On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers, employees, suppliers, business partners and other stakeholders for their continuous support and trust.

BUSINESS REVIEW

In 2019, the Group continued to perform well and delivered record volume, sales and profit, all set against a challenging global political and macroeconomic backdrop. The Group sold an aggregate of approximately 6,093,700 units (which comprised of approximately 3,783,200 units of electric scooters and 2,310,500 units of electric bicycles respectively) of electric two-wheeled vehicles during the year, up by 20.9% from the previous year. The Group's revenue increased by approximately 20.7% from RMB9,916.7 million in 2018 to RMB11,968.2 million in 2019 and gross profit increased by approximately 28.3% from RMB1,619.6 million in 2018 to RMB2,078.1 million in 2019. The Group remains in a healthy financial position with RMB2,636.6 million in cash and cash equivalents and continues to enjoy strong cash flows with net cash generated from operating activities. This is a real testament to the strength of "Yadea"'s brand, products and leading position in the electric two-wheeled vehicles market in the PRC. Instrumental to this achievement was the continued triumph of the Group in gaining customers' confidence by providing high quality and innovative products at competitive prices and the management's commitment and building "Yadea" as a premium brand of electric two-wheeled vehicles domestically and internationally.

Reviewing the past year, the Group has been proactively expanding its market share in the electric two-wheeled vehicles market to solidify its leading position in China. Benefiting from the implementation of new national standards for electric bicycles and thanks to the management's consistent commitment in emphasising product quality and innovation, research and development capability and brand-management, the sales volume of the Group's electric two-wheeled vehicles has been showing an upward trend since April 2019. The Group has actively broadening distribution network, boosting marketing effort and deepening cooperation with distributors to reach a broader customer base. The Group's sales network covered almost every administrative region of the PRC and consisted of 2,155 distributors (2018: 1,824 distributors) as well as their sub-distributors with over 12,000 points of sales (2018: over 9,000 points of sales) as at 31 December 2019. Internationally, the Group had export products to over 80 countries through its international distribution network. In addition, to improve its sales online, the Group has established a dedicated sales team focusing on sales and marketing through various e-commerce platforms such as Tmall, JD.com, Pinduoduo and Suning and made decent progress. The Group sold 173,000 units of electric two-wheeled vehicles online in 2019 as compared with 7,719 units in 2018, demonstrating its ability in strategic execution and goal accomplishment.

In order to maintain the Group's core competitiveness and build medium to long term competitive advantages, the Group continued to direct its focus on research and development, in particular, on the design of new products and new technology for core parts and components to cope with rapidly evolving changes in the electric two-wheeled vehicles industry in China. It is noteworthy that Yadea showcased its latest technology breakthrough on graphene battery at an industrial exhibition in Nanjing in October. The advantages of Yadea's graphene battery include long battery life can reach over 1,000 times charging cycles, fast charging for high current, larger power storage capacity and strong impact resistance ability in high and low temperature which tackle common issues such as battery durability and charging speed that the industry needs to address. The Group also launched a number of new or modified models of electric scooters and electric bicycles, among which, electric scooter G5 model won The China Red Star Design Award and G6 model won the Red Dot Award: Product Design for their outstanding design. As at 31 December 2019, the Group had 100 models of electric scooters and 62 models of electric bicycles with diverse designs, styles and functionalities all of them are available in different colours giving more choices to customers.

OUTLOOK

2020 is a year of challenges and opportunities. It is expected that the Group's full-year results of operations might be affected to certain extent in light of the fact that the outbreak of the COVID-19 has not been completely contained in the PRC and overseas countries at this stage. However, the management will actively keep monitoring the performance of the Group and assessing the impact to the Group, and will implement fitting strategy in a timely manner. The Group will continue to allocate more resources for research and development, enriching product portfolio, keeping a close eye on enhancing the brand equity, maintaining a premium pricing strategy and exploring opportunities for strategic cooperation, so as to further consolidate and strengthen our leading position in the electric two-wheeled vehicles industry in the PRC. Overall, the management remains very optimistic towards the future business prospect of the Group.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB11,968.2 million, representing an increase of approximately 20.7% from RMB9,916.7 million in 2018. Revenue from the sales of electric scooters increased by approximately 25.8%, from RMB5,083.8 million in 2018 to RMB6,393.3 million in 2019, and revenue from the sales of electric bicycles increased by approximately 12.9%, from RMB2,514.5 million in 2018 to RMB2,837.8 million in 2019, primarily due to the increase in market demand for the Group's products resulting from (i) the implementation of new national standards for electric bicycles since 15 April 2019; (ii) the increase of marketing activities and (iii) the expansion of sales network of the Group. The average selling prices of the electric scooters decreased slightly from RMB1,698 in 2018 to RMB1,690 in 2019, and that of the electric bicycles remained stable at around RMB1,228 in 2019.

The table below sets out the breakdown of the Group's revenue for the periods indicated.

Product Type	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Revenue (RMB'000) (Unaudited)	% of total	Volume '000 units	Revenue (RMB'000) (Audited)	% of total	Volume '000 units
Electric scooters	6,393,253	53.4	3,783.2	5,083,846	51.3	2,994.5
Electric bicycles	2,837,816	23.7	2,310.5	2,514,486	25.4	2,045.4
Subtotal	9,231,069	77.1	6,093.7	7,598,332	76.7	5,039.9
Batteries and chargers	2,623,746	21.9	Batteries: 5,417.9 Chargers: 4,180.8	2,195,189	22.1	Batteries: 3,797.1 Chargers: 3,488.8
Electric two-wheeled vehicle parts	113,423	1.0	N/A	123,131	1.2	N/A
Total	11,968,238	100.0	15,692.4	9,916,652	100.0	12,325.8

Cost of sales

Cost of sales of the Group increased by approximately 19.2% from RMB8,297.1 million in 2018 to RMB9,890.1 million in 2019, which is in line with the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, gross profit for the Group increased by approximately 28.3% from RMB1,619.6 million in 2018 to RMB2,078.1 million in 2019, and the gross profit margin increased by 1.1% from approximately 16.3% in 2018 to approximately 17.4% in 2019, primarily due to the combined effect of (i) the decrease in unit costs resulting from the increase in purchase volume of the raw materials and (ii) the increase in sales volume of electric scooters and electric bicycles.

Other income and gains

Other income and gains of the Group increased by approximately 14.0% from RMB164.4 million in 2018 to RMB187.4 million in 2019, primarily due to the increase in government grant received for investment in new technologies.

Administrative expenses

Administrative expenses of the Group increased by approximately 20.9% from RMB417.2 million in 2018 to RMB504.3 million in 2019, primarily due to the increases in headcount and average staff salaries.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 32.3% from RMB581.8 million in 2018 to RMB769.5 million in 2019, primarily due to the increase in selling expenses in order to provide better after-sales services.

Research and development costs

Research and development costs increased by approximately 26.4% from RMB305.4 million in 2018 to RMB386.1 million in 2019, primarily due to the continued investment in various research and development projects relating to new products and new technologies.

Finance costs

The Group incurred RMB2.2 million finance costs in 2019 due to the interest expense incurred relating to the lease liabilities.

Income tax expense

Income tax expense increased by approximately 79.1% from RMB46.4 million in 2018 to RMB83.1 million in 2019, primarily due to the increase in profits resulting from an increase in revenue.

Profit for the year

As a result of the cumulative effect of the foregoing, profit of the Group increased by approximately 20.4% from RMB432.3 million in 2018 to RMB520.3 million in 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow

As at 31 December 2019, the Group's cash and cash equivalents amounted to RMB2,636.6 million, representing an increase of approximately 33.6% from RMB1,973.4 million as at 31 December 2018.

The Group's primary source of funding comes from cash flows generated from its operating activities. As at 31 December 2019, the Group did not have any borrowings. Taking into consideration the Group's current bank balances and cash and the expected cash flow from operations, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Net cash generated from operating activities was RMB2,818.7 million in 2019, as compared with net cash generated from operating activities of RMB319.6 million in 2018. Net cash used in investing activities was RMB1,987.9 million in 2019, as compared with net cash generated from investing activities of RMB751.4 million in 2018. Net cash used in financing activities in 2019 was RMB226.6 million, as compared with net cash used in financing activities of RMB119.6 million in 2018.

Net current assets

As at 31 December 2019, the Group had net current assets of RMB1,278.9 million, as compared with net current assets of RMB1,185.1 million as at 31 December 2018.

Inventories

The Group's inventories consist of raw materials and finished goods. The Group's inventories increased by approximately 146.2% from RMB259.5 million as at 31 December 2018 to RMB638.9 million as at 31 December 2019, primarily due to the increase in stock reserved to cope the potential increase of demand for the Group's products after the Chinese New Year holidays in early 2020. The average inventory turnover days in 2019 increased to 16.5 days from 13.0 days in 2018.

Trade receivables

Trade receivables decreased from RMB278.1 million as at 31 December 2018 to RMB181.9 million as at 31 December 2019, primarily due to the shorter credit terms offered to distributors which expedited the collection of trade receivables.

Wealth management products and structured deposits

The wealth management products and structured deposits held by the Group mainly consist of principal-protected products with relatively low level of risk purchased from the commercial banks in the PRC. The aggregated value of the wealth management products and structured deposits increased by approximately 82.1% from RMB1,967.5 million as at 31 December 2018 to RMB3,582.9 million as at 31 December 2019. Such increase was primarily due to the increased purchase of wealth management products with the Group's surplus cash received from its business operations.

Trade and bills payables

Trade and bills payables increased from RMB4,580.4 million as at 31 December 2018 to RMB6,858.4 million as at 31 December 2019, primarily due to the increase in bills payables owing to the suppliers resulting from the increase in purchases.

Gearing Ratio

No gearing ratio is presented as the Group had no bank borrowings in 2019.

Currency risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain sales to international market and certain wealth management products that are conducted in USD. Foreign currency risk arises when commercial transactions or recognised assets or liabilities are denominated in currency other than the entities' functional currency. The Group is exposed to foreign currency risk primarily with respect to USD.

The Group manages its foreign currency risk by performing regular reviews of the Group's net foreign currency exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure.

Human resources

As at 31 December 2019, the Group had 4,341 employees, as compared with 3,703 employees as at 31 December 2018 as the Group hired more employees in the production and sales departments. Total staff costs in 2019, including labour outsourcing cost but excluding the Directors' remunerations, were RMB548.0 million, representing an increase of approximately 28.0% from RMB428.2 million in 2018. The Group will regularly review its remuneration policy and the benefits to its employees with reference to market practice and the performance of individual employees.

Contingent liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities or guarantees.

Pledge of the Group's assets

The Group pledged its assets as securities for bills payable which were used to finance daily business operation. As at 31 December 2019, the pledged assets of the Group amounted to RMB3,592.2 million.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group during the year ended 31 December 2019.

MATERIAL INVESTMENT AND CAPITAL ASSETS

As at the date of this annual report, the Company does not contemplate any future plans for material investments, capital assets and other sources of funding in the coming year.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of coronavirus disease ("**COVID-19**") in China and the subsequent quarantine measures imposed by the Chinese government as well as the travel restrictions imposed by other countries in early 2020 have had a negative impact on the operations of the Group, as most of the Group's operations are located in east part of Mainland China. The Group had to stop its manufacturing activities since January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic.

The Group had resumed its manufacturing activities since mid-February.

Given the dynamic nature of these circumstances, the Directors consider that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue, but are expected to have limited impact to the consolidated results for the first quarter of 2020.

Except for the possible impact of the above mentioned COVID-19, the Group has no other material subsequent event up to the date of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Reporting Scope

This 2019 Environmental, Social and Governance ("**ESG**") Report (the "**Report**") is about the ESG issues of the Company and its subsidiaries, mainly including four manufacturing facilities in Jiangsu, Zhejiang, Tianjin and Guangdong.

Reporting Period

This Report is an annual report, covering all times during the reporting period from 1 January 2019 to 31 December 2019 (the "**Reporting Period**"), and some of its contents may fall beyond the above Reporting Period.

Basis Of Preparation

This Report is based on preparation in accordance with Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**").

This Report is released after being reviewed and approved by the Board. The governance of the Company is set out in the Corporate Governance Report section of this annual report.

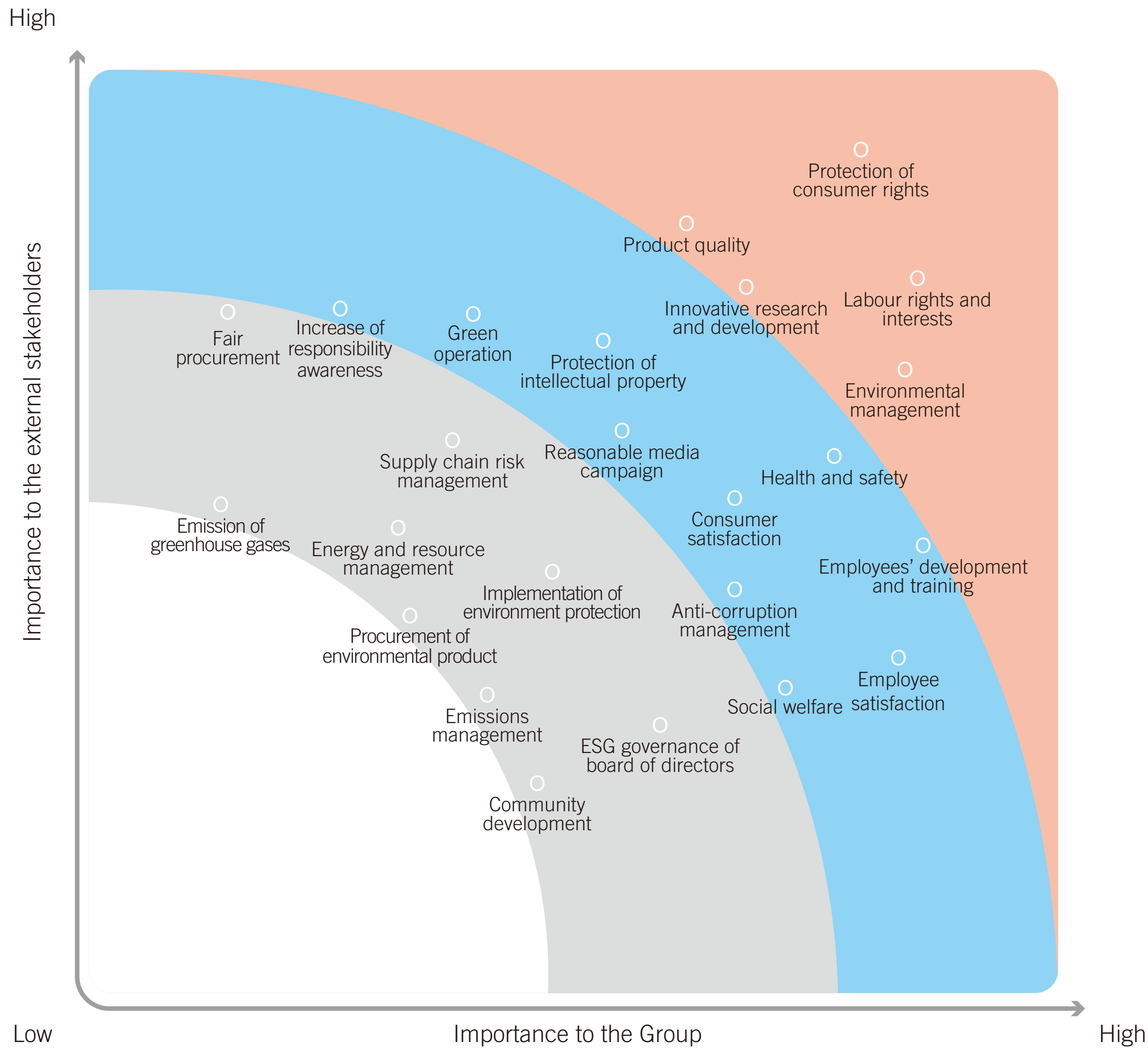
Identification of Material Issues and Communication of Stakeholders

Communication with stakeholders is an important part of the Group's ESG management. The Group identifies stakeholders by sorting out and summarising all parties in the daily operations of the Group. The Group actively communicates with stakeholders through various channels to understand the expectations of various stakeholders and responds to them through actions in an active manner. The stakeholders identified by the Group and their expectations are summarised as follows:

Stakeholders	Communication Mechanisms	Expectations	Responses
Government	• Policies and related guidelines • Daily communication	• Operation under national policies • Tax payment according to law • Honest and lawful operation • Creation of employment opportunities	• Laws and regulations compliance • Facilitating development of local economic • Equal employment
Shareholders and investors	• General meeting of shareholders • Board meeting • Daily communication	• Reasonable return on investment • Regulation on corporate governance • Public information disclosure	• Sound operation • Optimising governance • Disclosing information promptly and publicly
Customers	• Company website • WeChat official account/ WeChat group for customers • Official Weibo • Customer hotline • Users' App	• Innovative product designs • Timely information on new products • Assurance of product quality • Improvement of service quality	• Diversified product structure • Products of the Internet of Things ("IoT") • Service experience centre • "Safety Riding Insurance" service • Customer satisfaction survey

Stakeholders	Communication Mechanisms	Expectations	Responses
Employees	• Conference • Employee mailbox • WeChat official account • General manager hosting day	• Better individual development • Sound remuneration and welfare • Optimisation of working environment	• Establishment of promotion channel • Optimisation of training programmes • Various employee activities • Improvement of working and living environment
Suppliers and partners	• Investigation and research on site • Suppliers review • Regular communication • Business communication and cooperation	• Long-term cooperation • Fairness and justice • Win-win cooperation	• Subdivision of supplier management • Suppliers grading system • Strategic cooperation with suppliers • Establishment of a comprehensive coordination mechanism
Community	• Care for vulnerable groups • Community charity activities	• Harmonious community relationship • In-depth community charity	• Voluntary services • Charitable donation • Distributors' participation encouragement
Public and media	• Media report • Online media communication	• Open • Transparent	• Compliance with relevant regulations • Objective report • Faithful marketing promotion
Environment	• Environmental protection activities and promotion • Daily communication	• Reduction on energy consumption and carbon emissions • Reuse and recycle • Green travel promotion	• Reduction of pollutant emissions • Recycling resources • Green charity ride

To systematically identify the material issues of ESG management, the Group has made a judgement on the materiality of the ESG related issues of the Group from two dimensions of its internal and external stakeholders by integrating corporate development strategies, national policies, stakeholders' expectations as well as development trends of the electric two-wheeled vehicle industry, thus forming a matrix for the materiality of ESG issues of Yadea in 2019 as the basis for the selection of content of the Report and the follow-up of the Group's ESG related work.



ENVIRONMENT

Emissions Management

Yadea has always been an active respondent to environmental protection. The Group has been in compliance with relevant environmental laws and regulations as well as national standards such as the "Environmental Protection Law of the People's Republic of China" (《中華人民共和國環境保護法》), the "Law on Prevention and Control of Atmospheric Pollution of the People's Republic of China" (《中華人民共和國大氣污染防治法》), the "Law on Prevention and Control of Water Pollution of the People's Republic of China" (《中華人民共和國水污染防治法》), the "Environmental Impact Assessment Law of the People's Republic of China" (《中華人民共和國環境影響評價法》), Grade 3 of "Integrated Wastewater Discharge Standards" (《污水綜合排放標準》) (DB12/356-2008), Grade 2 of "Ambient Air Quality Standards" (《環境空氣質量標準》) (GB3095-1996), and Category III of "Environmental Quality Standard for Noise" (《聲環境質量標準》) (GB3096-2008). Also, the Group is subject to periodic monitoring by local environmental protection authorities.

For waste water, exhaust gas and solid wastes generated during the production process, the Group has adopted effective measures in accordance with the requirements under the relevant regulations, standards and the Group's system to ensure emissions are in compliance with the standards. Each manufacturing facility of the Group has employees with HSE related qualification. In accordance with the Group's overall policies and local regulations, each manufacturing facility has developed management processes, standards and emergency plans for waste water, exhaust gas, solid wastes and noises, including "Regulations on Management of Exhaust Gas", "Regulations on Management of Waste Water", "Regulations on Management of Solid Waste and Hazardous Waste", "Regulations on Management of Noise", "Emergency Plan for Hazardous Waste Accident", "Prevention System for Hazardous Waste", etc.. HSE professionals of each manufacturing facilities strictly implement the emissions treatment processes under the systems.

In 2019, there was no material change in the operation territory and scope of the Group (mainly referred to four major manufacturing facilities in Jiangsu, Zhejiang, Tianjin and Guangdong) compared to the previous year, while new sites under construction are not included as main operating facility as they are yet to be completed, and the primary emission types were as follows:

- Waste water: Production sewage from VOC recycled technique, and domestic sewage. The main pollutants include: COD and NH_3-N discharge.

- Exhaust gas: Industrial exhaust gas from coating process, and canteen fumes. The main pollutants include: VOC and nitrogen oxides.

- Non-hazardous solid wastes: Waste packaging materials etc.

- Hazardous solid wastes: Solvents, thinners, paint residue, spent carbon and sludge etc. generated during industrial production.

During the Reporting Period, Yadea's total greenhouse gas emissions amounted to 17,492.19 tonnes of carbon dioxide equivalent, while greenhouse gas emissions per unit vehicle amounted to 3.11 kg of carbon dioxide equivalent. The primary emissions data are as follows:

Types of emissions	Unit	Emissions amount of 2018	Emissions amount of 2019
Total amount of waste water discharged	tonne	251,124.47	**272,977.66**
Total amount of COD in waste water	tonne	19.42	**16.81**
Total amount of NH_3-N in waste water	tonne	1.00	**1.14**
Total amount of VOC in exhaust gas	tonne	15.77	**26.75**
Total amount of nitrogen oxides in exhaust gas	tonne	14.13	**11.24**
Total amount of sulphur dioxide in exhaust gas	tonne	2.96	**3.87**
Total amount of hazardous waste generated	tonne	272.22	**352.70**
Density of hazardous waste produced per unit vehicle production	kg per vehicle	0.056	**0.062**
Total amount of non-hazardous waste (waste packaging materials) generated	tonne	3,030.85	**3,257.77**
Density of non-hazardous waste produced per unit vehicle production	kg per vehicle	0.62	**0.60**
Total greenhouse gas emissions	tonnes of carbon dioxide equivalent	17,037.20	**17,492.19**
Greenhouse gas scope 1 emissions	tonnes of carbon dioxide equivalent	3,101.10	**2,984.46**
Greenhouse gas scope 2 emissions	tonnes of carbon dioxide equivalent	13,936.10	**14,507.73**
Greenhouse gas emissions per unit vehicle	kg of carbon dioxide equivalent per vehicle	3.51	**3.11**

As for those emissions, each facility of Yadea has taken a number of measures to achieve its commitment to emission standards:

- For waste water treatment, each facility has been equipped with pipelines for water cleaning and sewage shunting. After pre-treatment at septic tank and oil and slag tank, waste water will be processed by self-built sewage treatment facility to meet local standards, and then enter into the municipal sewage pipeline network and each facility will conduct a regular inspection to ensure that the waste water standards meet the regulations. Particularly, the coating process of Jiangsu facility has put in place a circulating water system. During the Reporting Period, Zhejiang facility carried out zero straight drainage rectification and transformation, cooperated with the New District Planning Bureau, and obtained a sewage discharge permit.

- For exhaust gas treatment, the Group uses coatings with VOCs content ≤420g/L in the ready-to-use stage at the source. During the process, paint deployment and spray painting rooms are in closed places, with exhaust gas collection and treatment facilities, and the collection efficiency is not less than 90%. For the treatment, each of the Group's production facility has related treatment facilities, using purification treatment or stacks discharge to ensure that the exhaust gas meets the emission standards. Among them, the coating processes of each facility have instaled VOC detection systems and 7 exhaust gas treatment systems in line with national environmental requirements. The exhaust gas passes through 8 layers of filtration and the resulted VOC will be burnt into non-hazardous gas after spray, adsorption, condense and catalysis.

- For non-hazardous solid waste treatment, domestic garbage in non-hazardous waste is handed over to the local environmental sanitation agencies and is processed on a monthly basis, while waste packaging materials are handed over to the third party institutions for recycling and reproduction to achieve the objectives of recycling and reuse.

- For hazardous waste treatment, each of the Group's production facility conducts the corresponding classification treatment. Among them, each facility adheres to the principle of "production management must emphasise on environmental protection" in respect of hazardous waste, and sets up a leader team in charge of prevention and control of hazardous waste pollution with the general manager and all leaders of various departments included, with the general manager being the leader and primary responsible person. The facilities set specific sites, signs and responsible persons for the collection, storage, transfer of hazardous wastes and make a record for every account. All hazardous wastes are entrusted to be handled by enterprises holding hazardous waste business licence with approved business categories, or handed over to original manufacturers for recycling and reuse.

- In addition, the Group attaches equal importance to impact of noise on employees and the surrounding environment. The production equipment of each facility has been arranged in the workshop in a reasonable manner. With sound insulation and distance decay of the plant, noise at boundary can meet the Category III Standard of environment functional areas for noise outside boundary under the "Emission Standard for Industrial Enterprises Noise at Boundary" (《工業企業廠界環境噪聲排放標準》) (GB12348-2008), which will not impose an impact on local environmental quality for noise.

Use of Resources

Yadea values the efficient use of resources. The Group strictly complies with relevant national laws and regulations, such as the "Water Law of the People's Republic of China" (《中華人民共和國水法》), the "Regulations on Management of Economical Use of Urban Water" (《城市節約用水管理規定》), "Energy Conservation Law" (《節約能源法》) and "Cleaner Production Promotion Law" (《清潔生產促進法》), and has formulated the "Management System on Environmental Protection and Resources Conservation" and the "Regulations on Management of Energy Use" internally to clarify responsibilities and provide guidelines. Dedicated personnel were put in place for the maintenance and management of water and electric equipment. There is no material issue in the procurement of water and electricity resources. The Company's production process involves construction of new factory buildings. In the process of construction and inspection for acceptance, it is necessary to consider rational use of resources, and to consider the use of energy from the design stage, so as to make reasonable arrangement.

In 2019, Yadea continued to deepen the 5S model and lean production work to improve the production efficiency of integrated units. This year, Yadea's total energy consumption as converted into standard coal was 4,729.90 tce, and energy consumption per unit production was 0.84 kgce. There was no material change in the reporting scope as compared to the previous year. The details of resources usage are set forth below:

Quantitative data

Classification of resources	Unit	Consumption amount in 2018	**Consumption amount in 2019**
Total comprehensive energy consumption (converted)	tce	4,420.52	**4,729.90**
Energy consumption per vehicle produced	kgce per vehicle	0.91	**0.84**
Total purchased electricity consumption	MWh	21,093	**20,357**
Photovoltaic power consumption	MWh	–	**2,210**
Total gasoline consumption	ten thousand litre	12.7	**9.37**
Total diesel consumption	ten thousand litre	6.0	**6.0**
Natural gas consumption	ten thousand cubic metre	121.6	**119.5**
Total water consumption	ten thousand cubic metre	28.4	**30.7**
Water consumption per vehicle	litre per vehicle	–	**54.6**
Packaging materials consumption	tonne	34,745.0	**49,060.7**

Based on the statistics of resources data available currently, the facilities of the Group gradually carry out various resource conservation actions and communicate and learn from each other. The main actions are as follows:

Water Saving	• Continue to carry out quality control activities, using PDCA quality control tools to diagnose water overconsumption. • Use water-saving equipment, and optimise production technologies to realise water recycling. • Carry out water-saving promotion, conduct saving activities such as turning off water and lights when leaving rooms.
Electricity Saving	• Periodically inspect power distribution stations and carry out preventive checks, and assess the power consumption of new equipment to ensure the safe use of electricity. • Reasonably use indoor air-conditioning equipment, and set the indoor temperature below 20 degrees in winter and above 26 degrees in summer. • Jiangsu and Zhejiang facilities co-developed photovoltaic power stations with external institutions. The stations have been put into use and generated a total of 3,824.14 MWh, and meeting the 2,210.11 MWh power demand of the production facilities in the Reporting Period.
Oil and Gas Saving	• Replace traditional forklifts in the workshop by the electric ones year by year. • Reduce the frequency of use of official vehicles and try to share the vehicles with others. • Encourage employees to use their own electric vehicles and public transportation. • Jiangsu facility shuts down the japanning oven before the completion of daily production tasks, and use the residual heat for japanning so as to reduce natural gas usage.
Paper Saving	• Print both sides of office papers and refill cartridges. • Handle official business electronically via the Internet to reduce paper consumption. • Recycle used items and reduce packaging materials.

The Environment and Natural Resources

Yadea attaches importance to environmental and resource protection. As a leading brand in electric two-wheeled vehicles industry, Yadea concerns about the impact its products bring to the environment, and help build a green, conservation-oriented society through its own efforts. During the Reporting Period, the Group had no serious incidents affecting the environment and natural resources.

The Group organises green cycling activities every year to promote citizens' green transportation, and to reduce the environmental impact of pollution emissions from fuel vehicle. It attaches great importance to the issue of battery recycling to avoid irreparable harm to soil and water sources.

Case: Yadea 717 Green Cycling Festival, "Cycling to Change China" has just begun

"Cycling Electric Vehicles for Lucid Waters and Lush Mountains". On 17 July 2019, the third "Yadea 717 Green Cycling Festival" was officially launched.

The theme of this year's cycling festival was "Cycling to Change China". Yadea invested RMB100 million as a "low-carbon environmental protection replacement subsidy" for users to "replace old with new", mainly for "low-carbon replacement of small appliances, old electric cars, motorcycles, etc.", with the aim to vigorously popularise the public's awareness of the recycling of solid waste products, encourage people to use clean and environmentally friendly electric two-wheelers to travel, so as to realise the combination of green appearance and social welfare, and to integrate environmental protection into the daily life of each user.

At the "717 Green Cycling Festival" this year, Yadea became the first company in the industry to initiate the establishment of a company for "Waste Lead-Acid Battery Recycling Alliance – Regeneration Pool", with the aim to formalise and recycling and disposal channels for lead-acid batteries. This move has further promoted China's waste lead-acid battery recycling business and set an outstanding model for vehicle companies.

In addition, adhering to the invariable purpose of "green environmental protection", Yadea provides consumers with large amount of environmental protection subsidies for low-carbon replacement, offering valuable reference standards for the industry, and promotes the continuous progress of China's environmental protection, making contributions to the world's environmental protection.

SOCIETY

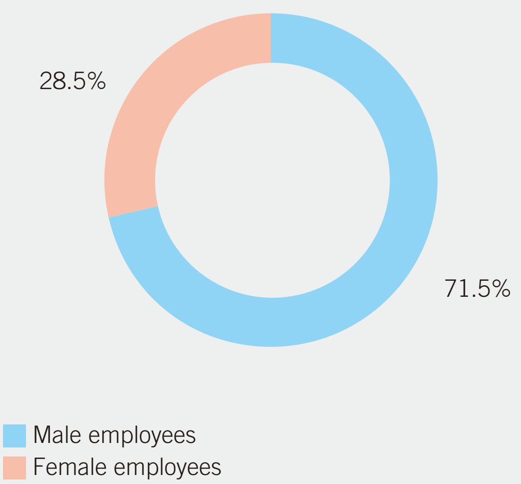
Employment

We are fully aware that employees are the source and driving force for sustainable development. The Group upholds the core concept of "people-oriented", and strives to create a harmonious and democratic working environment for our employees and ensures that each employee enjoys equal and indiscriminate treatment during our continuous development.

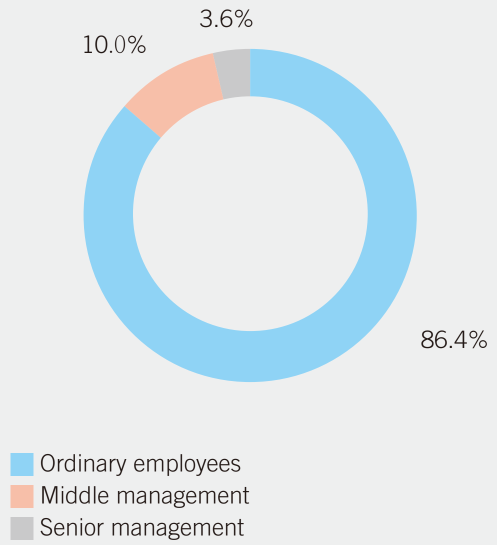
The Group strictly complies with laws and regulations, such as the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), the "Labour Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》) and the "Social Insurance Law of the People's Republic of China" (《中華人民共和國社會保險法》), to respect and protect the legitimate rights and interests of the employees. The Group formulates internal management systems and provisions, such as "Internal Employees Appointment Management Measures", "Senior Personnel Management Measures" and "Labour Contract Management Measures", standardising labour employment and specifying the relevant employee benefits and welfare including policies on remuneration, recruitment, employment, working hours, leaves and equal pay for equal work. We ensure transparent information disclosure, compliance with laws and equal employment, which would eliminate discrimination or harassment in the workplace.

As at the end of the Reporting Period, the Group has 4,295 employees in total. The turnover rate of male employees was 2.51%, and the turnover rate of female employees was 2.82%.

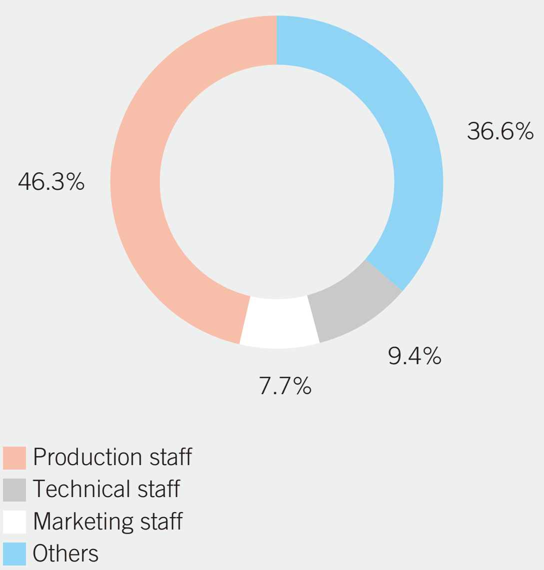
GENDER STRUCTURE



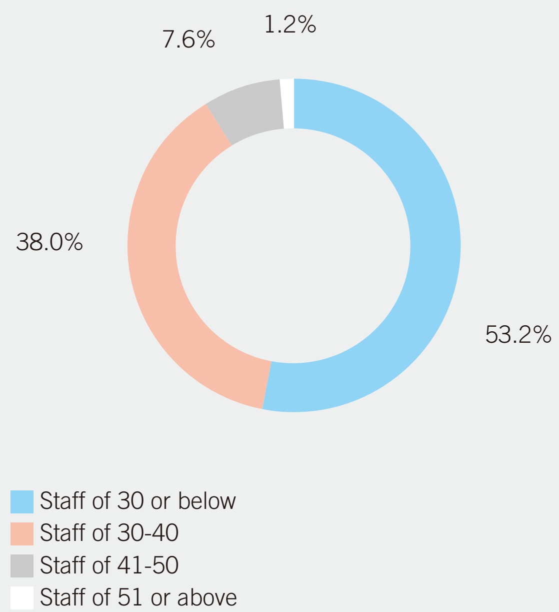
LEVEL STRUCTURE



POSITION STRUCTURE



AGE STRUCTURE



Health and Safety

Yadea adheres to the principle of "safety first, prevention-oriented and comprehensive management" to carry out safe production. The Group strictly complies with relevant laws and regulations, such as the "Production Safety Law of the People's Republic of China" (《中華人民共和國安全生產法》) and the "Law on Prevention and Control of Occupational Diseases of the People's Republic of China" (《中華人民共和國職業病防治法》) during the course of production and operation and has established an internal safety taskforce and adopted relevant management measures to ensure that the safety precautions fully covered production and administration areas. Among which, "Safety Production Management Measures" are to ensure production safety, "Special Equipment Management Measures" are for the prevention of major safety incidents of special equipment, "External Construction Personnel Management Measures" are for the regulation of external construction, and "Fire Safety Management Measures" are for the prevention of fire incidents. Yadea adopts the following measures in daily operations to ensure the health and safety of employees:

Employee Health
- Organises occupational health checks according to different posts, establishes health records and assists employees with medical treatment.
- Optimises workplace to achieve dust-free and harmless environment and lower the occupational health and safety risk.
- Improves the management system on sanitary cafeteria to ensure food safety.
- Encourages employees to participate in sports activities, and organises basketball competitions and Sports Day annually as stress relief for employees.

Employee Safety
- Establishes production safety targets and signs letter of responsibility, establishes a safety production organisation structure, covering the Company's management, department heads, safety officers and the Company's department in charge of production safety.
- Conducts mandatory safety training for all employees during induction, and only those passing the exams are allowed to start duties.
- Provides personal protection equipment for employees at production facilities and conducts relevant trainings.
- When all employees are on duty, their mobile phones are placed in a public area of the plant for management to prevent safety accidents caused by distraction.
- Establishes a three-level safety inspection and hazard rectification mechanism.

Safety Education
- Organises the Production Safety Month, and delivers safety education to employees by means of safety banners, fire drills and trainings.
- Organises relevant employees to participate in trainings on special operations and three-level safety education to ensure that responsible personnel hold qualification certificates for work.
- Production department conducts weekly safety training to improve employees' safety skills and raise safety awareness by taking into account the real-time safety conditions.

In 2019, the Group held various safety drills and safety knowledge contests as usual, and conducted key trainings on safety regulations and regimes, safety systems, external cases and operational knowledge etc. Performance of health and safety management remained stable without occurrence of any work injury or death. The key annual health and safety information is set out as below:

Indicators	Unit	2018	2019
Fatality	person	0	**0**
Number of work-related fatalities	person	0	**0**
Investment in production safety	ten thousand RMB	80.9	**202.1**
Number of safety education trainings	time	61	**60**
Person-times of safety education training	person-time	2,692	**5,876**

Expressing Gratitude to Local Fire Brigade

Fire Drill

Development and Training

With the vertical development channel for employees in Yadea, the employees are able to adequately express their talents. The Group formulated the internal management system and provisions of the "Training Management Measures" (《培訓管理辦法》) and the "Organisation Performance Management Measures" (《組織績效管理辦法》) to cultivate talents who fit in with the Group in respect of operation and management and professional and technical standards, improve the employees' professional knowledge and skills, develop and foster human recourses for the Group, so as to achieve the management concept of "selection, utilisation, development and retention of talents" and enhance its overall competitiveness.

In terms of promotion, the Group has different promotion channels for management and non-management personnel, and optimises staffing in technology and business dimensions. During the Reporting Period, the Group continued to adjust the organisational structure according to the development strategy, opened up more positions and regions, and created broader development opportunities for employees.

In terms of training, the Group continued to develop curriculum on three aspects of quality management, manufacturing and enterprise management in accordance with its development strategy. At present, trainings include leaning and development projects initiated by the Group's human resources, and training activities initiated by other departments. In 2019, the Group purchased different types of training courses, such as IPD Training, Strategic Procurement Operations and Supplier Management, Comprehensive Budget Training and other large courses.

From January to December 2019, the Group and all its facilities have organised 638 trainings in total with the total training hours of 351,055 and average training hours of 81.74 per person.

Indicators	Unit	2018	2019
Total training hours	Hour	111,358.5	**351,055**
External training hours	Hour	49,247.5	**289,312**
Percentage of male employees trained	%	–	**100**
Percentage of female employees trained	%	–	**100**

Detailed training information of the Group in 2019 is as below:

Training courses	Total amount of time (hours)	Total number of people (persons)	Training hours per person (hours)
Professional training[1]	34,865	17,177	8.12
General training[2]	2,117	1,069	0.49
Project training[3]	304,932	14,303	71.00
Orientation[4]	9,140	1,145	2.13

Case: The role recognition and development project for middle and primary managers – "Eagle Plan"

As most of the Company's managers are naturally developed by experience, they are lack of basic scientific methodologies in management knowledge and management behaviours. The Group launched the "Eagle Plan" in May 2019 to help middle and primary managers and key personnel to improve management awareness and optimise management behaviours, with the aim to gradually build the Company's internal management training and authorising system at all levels, which can adapt to business needs.

106 persons participated in this project, role recognition and development publicity of middle and primary managers was performed. The overall satisfaction of the course was 97.8 points. The project successfully helped the existing middle and primary managers and key personnel to recognise their management role and promoted the professionalisation of management behaviours of the professional sectors.

Labour Standards

Yadea devotes to building up a corporate culture of "Love, Altruism and Harmoniousness". The Group strictly complies the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》) and other relevant laws and regulations, and implemented them in the internal management documents by formulating "Employees Employment Management Measures" (《員工任用管理辦法》) and the "Employee Rights and Interests Protection System" (《員工權益保護制度》) accordingly.

Forced labour, paying debt by labour or straining employees by imprisonment, child labour and other employment violations are forbidden by Yadea. Yadea endeavours to ensure that all the work is on the voluntary basis and employees have the rights to leave the position freely upon reasonable notice. It will never be required as a condition of employment for employees to hand in their ID cards, passports or work permits granted by the government. Child under 16 years old cannot be employed for any position. During the Reporting Period, Yadea had no employment violation cases.

Yadea respects the basic rights and interests of employees and opposes discrimination and abuse. The Group opposes to any cruelty and discriminations based on race, social status, nationality, religion, disability and sexual orientation with no interference of employees' believes and customs. We respect employees' rights including the rights to free association according to PRC laws, join a trade union or not, seek representative and join workers' committee. Employees could communicate with the management publicly on the working conditions with no fear of retaliation, threat or harassment.

1 Professional training refers to trainings provided for employees in different functional positions regarding professional skills and knowledge. Such trainings are organised by individual departments, and mainly in the form of internal trainings and external trainings.

2 General training refers to trainings provided for employees on different levels regarding the occupational skills and abilities for specific levels. Such trainings are primarily organised by the human resource centre and the internal lecturers would provide the lectures.

3 Project training refers to special courses targeting the current condition of the corporate or the enhancement of a specific ability of the corporate or targeting individual specific cultivation.

4 Orientation refers to trainings provided to help new employees familiarise with the corporate and adapt to the environment and the position quickly.

In addition to the basic rights and interests, it has long been a target of Yadea to create a harmonious, respecting and healthy working and living environment for employees. The Group has comprehensive working and living environment with advanced office conditions and equipment, spacious office areas with green plants, pantries, libraries and staff canteen, etc. It also arranges dormitories nearby for employees and provides complete supporting facilities. On the other hand, relevant benefit package is provided to employees by the Group according to different holidays and festivals, for example, we will send cooling supplies in summer and quilts in winter, excellent staff may travel abroad etc., we will also engage the third party to clean the area of employee dormitory regularly. During the Reporting Period, Yadea continued to hold traditional staff recreational activities, such as family day activities, watching movies and sports events, etc.

Case: Yadea family day

An enterprise is the combination of certain families. As many employees are migrant workers, by organising company open days and family day activities, the Group facilitates the opportunity for employees to accompany their family members on the one hand, and increases the understanding and acknowledgement of Yadea by the employees and their family members on the other hand, thus deepening the influence of Yadea's values on both the employees and their family members. The Group continues to hold Yadea family day activities.

In 2019, Yadea's facilities respectively organised family parent-child day activities, inviting employees' children to Yadea to visit their parents' workplaces, which promoted parent-child relationships for employees who were unable to take care of their children while working out, helped children to grow, and enhanced employees' pride of and sense of belonging to the group.

Supply Chain Management

Yadea has been dedicated to "making every endeavour to produce high-end products", and has committed to implementing stringent quality control on all electric vehicles put to the market, detailed tests on all accessories and systematic regulation on all suppliers. Boasting this comprehensive system, Yadea has been able to identify suppliers for further cooperation. The Group has established a series of management measures and systems for supplier admission, management and exit, namely "Tender Management Measures" (《招標管理辦法》), "Management Measures for Developing New Suppliers" (《新供方開發管理辦法》), "Management Measures for Supplier Performance Assessment" (《供方績效考核管理辦法》), "Management Measures for Supplier's Suspension of Supply and Exit" (《供方停供退出管理辦法》) and etc.

2019 is an important year in sense of the remodelling of electric vehicles by China. With the new national standard, Yadea has imposed more stringent requirements on its suppliers by implementing strict quality control regulation on every single parts and production technique. Yadea visited its third party quality suppliers for investigating and collecting information of partners in the industry in 2019. As a result, Yadea was able to know more about parts manufacturers for the purpose of preparing to accomplish committed production targets and sorting out potential suppliers with promising quality in advance. Also, mutual communication were facilitated to ensure on time delivery of parts in the peak season, thus avoiding any production delay and hindrance to meeting annual target arising from problems related to guaranteed supply.

Scientific Supplier Management System

For the selection of suppliers, Yadea adhered to the purchase strategy of "being open and transparent". Yadea established the "Management Measures for New Supplier Admission" (《新供應商准入管理辦法》), performing assessments on suppliers' financial risk, management system, operational capability, intellectual property and production sites, and conducting corresponding grading assessment. For the management of suppliers, Yadea signed the corresponding "Procurement Agreement" (《採購協議》), "Technology Development Agreement" (《技術開發協議》) and "Quality Agreement" (《質量協議》) with the suppliers to ensure clear responsibilities were assigned to both the buyer and the supplier.

Facilitate Communication with Suppliers

Yadea continued to strengthen the communication within the supply chain, integrated suppliers' expectation and demands, seriously explored and responded in a proactive way, thus gradually forming a good win-win situation of mutual benefit with suppliers. We attached great importance to demands of suppliers and responded positively to key issues, such as performance evaluation, tender fairness and project promotion on which suppliers showed concerns, so as to promote the sound development of cooperation between both parties.

ESG management of Suppliers

Environmental and social risks of suppliers could have impact on the product quality and daily operation of Yadea. Accordingly, Yadea valued the ESG management of suppliers and sought for growth together with its suppliers.

Yadea urged its suppliers to strengthen environmental management. It requested suppliers to upgrade their awareness on environmental protection and even required environmental certification from secondary vendors of those suppliers on one hand, and gave priority to environmental products in the procurement of parts, accessories and office supplies on the other hand. In addition, in respect of parts and accessories subject to environmental regulations, namely batteries, Yadea signed additional "Market Recycle Agreements" (《市場回收協議》) to ensure effective recycle and reuse of these parts and accessories to facilitate the sustainable development of the supply chain.

Yadea paid attention to the performance of social responsibilities in the assessment of suppliers. Departments of procurement, technology and quality control visited potential suppliers for assessment, in which focus was put on their production status (including production workshop management, production position planning of production lines, productivity and production headcount), the reserve of resources (including technological strength, research and development capability and warehousing capacity), the administration (including fringe benefits of employees, shift systems and catering and boarding of employees), existing partners and potential productivity. Our staff conducted in-depth investigations on these suppliers for qualification assessment. Moreover, technicians assigned by Yadea stationed in suppliers to work together to address difficulties in production and quality issues. Suppliers were invited to take part in the launching of training programmes for the sake of discussion and mutual advancement.

In 2019, Yadea further encouraged its suppliers to seek for certifications related to the management system of environmental protection, quality management and occupational health and safety, such as ISO 14001、ISO 9001 and OHSAS18001 so as to secure a more proactive role in green procurement. As at the year end, Yadea had a total of 1,594 suppliers, of which 75% was awarded quality certifications while 25% was awarded certifications on environmental protection and occupational health and safety. 90% of the suppliers were examined..

PRODUCT RESPONSIBILITY

Product Quality

Yadea complied with the "Product Quality Law of The People's Republic of China" (《中華人民共和國質量法》), "Electric Bicycles – General Technical Requirements" (《電動自行車通用技術條件》), "Implementation Rules for Compulsory Certification of Products" (《強制性產品認證實施規則》), "Safety Specifications for Electric Motorcycles and Electric Mopeds" (《電動摩托車和電動輕便摩托車安全要求》) and other national, regional and industrial product laws, regulations and policies. In addition, Yadea was also subject to inspection standards documents for parts and vehicles prepared pursuant to the above laws and regulations, including "Inspection Management Procedures" (《檢驗控制程序》), "Unqualified Products Management Procedures" (《不合格品控制程序》), "Internal Quality Information Management Measures" (《內部質量信息管理辦法》), "Vehicle Out of the Box Assessment Management Measures" (《成車開箱評審管理辦法》), "Parts Inspection Management Measures" (《零部件檢查管理辦法》) and "Market Recall Management Measures" (《市場召回管理辦法》), for the purpose of standardising the management of product quality and controlling the product quality strictly.

Yadea values works on quality control. In respect of the commercial production of whole vehicles, regular random checks on key procedures were conducted by technicians/inspectors and vehicles with manufacturing defects were examined timely to solve quality problems in an effective manner. Unqualified vehicles identified by Yadea internally were handled in accordance with "Unqualified Products Management Procedures". Repaired ones were re-examined, and those passing the quality test were put in storage while those not up to the required standard were scrapped. Unqualified products identified in the market were handled according to "Market Quality Information Management Procedures", "Market Recall Management Measures" and etc. Products eligible for return were examined by the quality control department and relevant suppliers joined to study and analyse data as well as prepare reports and rectified proposals. Upon completion of rectification, the after-sales department would be responsible for tracking and verifying relevant products in the market. Procedures found to be effective to rectification works would be included standardised and included in pipeline projects and items for examination in future.

In 2019, Yadea worked together with the Scientific Research Institute (科學研究院) under the Ministry of Transport and UTDT (城市智行信息技術研究院) to prepare the "2019 Blue Book on the Green Development of New National Standard for Electric Vehicles" (2019年新國標電動車綠色發展藍皮書), encouraging and guiding the healthy development of electric vehicle industry. Moreover, Yadea completed the external third party review of CQC ISO9001:2015, covering the major manufacturing facilities, including Jiangsu, Zhejiang, Tianjin and Guangdong. After receiving the certification, Yadea organised an internal audit and a quiz of training on quality control and quality management systems targeted at all staff members.

Case: Training on Knowledge of "Total Quality Management (TQM)"

In preparing the management team to enhance its awareness of quality and the ability of quality management, to eliminate misunderstanding on the concept of quality, to change the mind set of quality and to create the awareness of quality from the perspective of total procedures of Yadea, Yadea planned and organised a training programme named "IATF16949 Industrial Standard for Motor Vehicle Industry" (《IATF16949汽車行業標準》), covering the senior management, namely vice presidents, and key frontier personnel. The programme was divided into 5 sessions, in which 414 admissions were recorded. Accordingly, Yadea laid a solid ground for the introduction of IATF16949 quality system to the motor vehicle industry in future.

Technology Innovation

Yadea encourages technology innovation. Under the “Several Opinions on Strict Patent Protection” (《關於嚴格專利保護的若干意見》) issued by the National Intellectual Property Administration, the PRC, the Group formulated “Management Measures for Patent Protection” (《專利管理辦法》), “Management Measures for Patent Incentives” (《專利獎勵管理辦法》), “Declaration of Government Project Incentives Measures” (《申報政府項目獎勵辦法》) and “Measures for Project Management Evaluation” (《項目管理考評辦法》) and etc. as basic protection for stimulating innovation in order to motivate the innovation enthusiasm of our employees, to strictly combat patent infringements, to direct the intellectual property planning of new technology and product research and development and to create the harmonious environment for intellectual property innovation and development, thereby enhancing our ability in independent innovation and achievement of technological advancement.

For a number of years, Yadea invested substantial amount of funds in the training, study and reform for the development of IPD (Integrated Product Development), established the “Strategy+IPD+Incentive” project and allocated specific fund for bonus incentive payments for the sake of facilitating innovative research and development to enhance the competitive edges of our products. Measures mainly included:

Encouraging scientific research and development	• Establish the “cross functional teams” • Integrate resources • Formulate evaluation mechanism of project management
Encouraging patent applications and accelerating the conversion of patents	• Grant corresponding incentive payments for patent for utility model and appearance patent • Grant corresponding incentive payments for projects completing the declaration of result transformation and receiving awards
Raising awareness of patent protection	• Keep communication with science and technology bureaus and judicial protection authorities • Work together to establish platforms for intellectual property rights • Propagate the cases of intellectual property protection

Yadea received fruitful results in innovative development in 2019. G5 of Yadea won the “China Red Star Design Award” (中國紅星設計獎) and the International Design Excellence Awards of the U.S.. Figures for Yadea’s technological innovation are listed as below:

Indicator	Unit	2018	2019
R&D expenditure	Million RMB	305.45	**386.14**
Number of patent applications	pcs	690	**580**
Number of patent authorisations	pcs	677	**505**
Appearance patent	pcs	388	**343**
Utility model patent	pcs	257	**133**
Invention patent	pcs	32	**29**

Case: Yadea succeeded in the development of graphene batteries with prolonged battery life to provide green vehicles with a longer cruising range.

In June 2019, Yadea officially launched its graphene batteries, featuring longer battery life, faster charging speed, longer cruising range and low temperature resistance, which were compatible to 20A high current charge and discharge. The new batteries could have more than 1,000 charging cycles, which is more than 3 times of ordinary batteries.

When compared with traditional lead-acid batteries, Yadea's graphene batteries are made of graphene composite conductive paste and new green environmental battery alloy produced with rare earth elements, boasting higher energy density and significantly greater power storage capacity. Accordingly, the maximum cruising range increases by more than 10% compared to ordinary batteries. Even in the low temperature environment, graphene batteries can still maintain high intensity discharge capacity to meet the cruising needs in cold weather. These features extend the battery life greatly, thus reducing the need for replacement. Meanwhile, battery shells are made of special nano-blend reinforced composite ABS material, thus preventing lead pollution issues arising from battery leakage and recycling activities, which are safe, durable and more environmental friendly.

CUSTOMER SERVICE

Yadea is committed to providing better service. The Group formulated the "Customer Complaint Management Measures" (《客戶投訴管理辦法》) in accordance with the laws and regulations such as the "Consumer Protection Law" (《消費者權益保護法》), the "Regulations on Liability for Industrial Products Quality" (《工業產品質量責任條例》) and etc., requiring strict compliance of all sales and after-sale activities and regular training for relevant personnel. By speeding up the handling of consumer complaints and standardising problem-solving methods (8D report forms), the protection of consumer rights was maximised.

STRICT DISTRIBUTOR MANAGEMENT MECHANISM

The Group formulated a series of management system in relation to distributors and sales, such as the "Administration Measures for the Entry and Exit of Distributors" (《經銷商准入准出管理辦法》), the "Documents on Management Mechanism of Distributors" (《經銷商管理制度文件》), the "Management Measures for the Credit Granting to Distributors" (《經銷商授信管理辦法》) and etc., to select distributors with high-quality, good credit and good services, and to strengthen daily regulation to eliminate fraud and others as an attempt to provide consumers with good services. Yadea also provided technical support (including after-sale training, repair support and so on) to distributors to ensure customers of good sale and after-sale experience, and promoted such high-level service requirements to overseas.

PROTECTION OF CONSUMER PRIVACY

Yadea attaches great importance to the protection of consumer privacy. The Group set up a "Security and Confidentiality System" (《安全保密制度》), requiring the organisational units at all levels to manage and use information and documents in accordance with stipulations.

In 2019, the Group improved the management mechanism for terminal transaction data bank, so as to enable systemic management on data information enquiry and analytical function coordination and to monitor our staff's access to data, for the purpose of avoiding risks of data leakage. Data related to the Company and our clients could only be accessed by staff members of the customer service department. Any access to samples of clients' information by other departments in relation to their specific projects of analysis on product demand and market research or other projects related to sensitive information of clients was prohibited unless the use of key words was approved by the big data centre and the audit and supervision department. However, the source of data would not be provided. In 2019, no case of data infringement or leakage of customer information was found in the production, sales and after-sale services activities of Yadea.

ANTI-CORRUPTION

In compliance with the "Criminal Law of the People's Republic of China" (《中華人民共和國刑法》), the "Anti-unfair Competition Law of the People's Republic of China" (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations, the Group improved the corresponding internal control system and implemented provisions on the integrity and self-discipline of our employees to prohibit illegal acts, such as bribery and fraud, and safeguard the legitimate rights and interests of the Group.

The Group reissued the "Yadea Group Anti-corruption Initiative" (《雅迪集團反腐倡議書》), and distributors and suppliers were required to sign the "Anti-commercial Bribery Agreement" (《反商業賄賂協議書》). In addition to these, the Group continued to strengthen its efforts on anti-corruption. In order to uphold the probity of Yadea, it improved the "Yadea Group Integrity Management Regulations (V1.0)" (《雅迪集團廉潔管理規定(V1.0)》) which defined the relevant responsibilities of departments and persons in charge of integrity management and regulated the fraudulent practices of the auditees' management, those charged with governance, employees or third parties by deceptive means to obtain improper or illegal benefits. The Group revised the "Yadea Group Incentive and Protection Scheme for Whistleblowers" (《雅迪集團舉報人保護和獎勵制度》) to clearly define the scope for whistleblowing so as to incorporate material corruption and spiritual corruption, protection and exemption to whistleblowers, protection to business development, responsibility mitigation and reward to whistleblowers.

The Group established an independent department to monitor and investigate probity issues. Our staff members were free to report cases through letters, phone calls, emails, WeChat official account and etc. The Group also formulated specific procedures for recording cases, verifying clues, providing feedback to whistleblowers and keeping the privacy of whistleblowers in strict confidential. The Group expanded the channels for communication and supervision by distributing the "Explanation on Key Findings of the Report on Global Research on Corruption" (《全球舞弊研究報告要點解讀》) and "Explanation on Cases of Job-related Crime (Taking Bribes)" (《職務犯罪(受賄罪)案例解讀》) via its WeChat account for the purpose of advocating the concept of anti-corruption, explaining anti-corruption laws and enhancing our staff members' awareness of anti-corruption and whistleblowing. In 2019, the Group organised an anti-corruption training programme named "Say No to Corruption and Stay Alert Always" (拒貪拒腐警鐘長鳴) in the Wuxi Prison, Jiangsu Province. Participants were mainly middle and senior management and certain key personnel. They studied real cases to make themselves knowing the importance of upholding the integrity and observing approved commercial ethical standard, and also learnt that they were also responsible for monitoring the integrity of other colleagues for the sake of maintaining the internal order of Yadea and building a harmonic working team.

In respect of case reporting, the Group remained relying on complaint letters, on-site visits, internal audit and specific investigations to further develop its works on anti-corruption. The audit and supervision department advocated the concept of anti-corruption and whistleblowing regularly, which was effective to prevent and control corruption, bribery, insider transactions and etc. In 2019, Yadea was not aware of any corruption proceeding involved the Group or its staff.

Specific channels for reporting cases include:

1. Dedicated mailboxes in the Group's headquarter and 4 manufacturing facilities
2. Hotline: 0510-88101338
3. Email: audit@yadea.com.cn
4. WeChat anti-corruption official account: Integrity of Yadea (廉潔雅迪)

COMMUNITY INVESTMENT

Yadea incorporated a harmonious community into its strategic planning for corporate development. The Group encouraged the development and charity activities of the local community where it operated, encouraged open dialogues with the local community, complied with local laws and regulations, respected local culture and customs and supported its employees to take part in volunteer activities. Yadea also responded to the donation calls from the local government and community in a positive way. In addition, Yadea recruited qualified local people as far as practicable to create more employment opportunities for the local community. Moreover, Yadea received the "2019 Social Responsibility and Integrity Brand Award" (2019年度社會責任誠信品牌獎) in recognition of its efforts on advocating the concept of green riding and its excellent performance in respect of environmental protection and charity activities. The Group made donations of RMB2.104 million to external parties in 2019.

Case: Sponsor of Hangzhou Marathon

The "2019 Hangzhou Women 10 km Run" was held in Hangzhou International Convention Centre on 8 December 2019. Yadea was the honourary sponsor of the event, rendering every possible support to all runners throughout the race and witnessing them endeavouring the best in the racecourse. Yadea provided the event with a number of electric vehicles for timing, piloting, adjudicating, first-aid and patrolling, ensuring all runners of safety and security before and after the race.

Case: Release a public video named "Honourable Earth Gives You Honourable Life"(給地球面子，你才真有面子)

On 5 June, 2019, the World Environment Day, a public video for environmental protection filmed by Yadea and named "Honourable Earth Gives You Honourable Life"(給地球面子，你才真有面子) received overwhelming response in the Internet. The video was forwarded and acknowledged by authorised media, and was highly recommended by a flagship magazine under the working committee of the central government and state authorities. A hit rate of over 3 million was recorded within 24 hours. The video pointed out that human beings polluted the environment unintentionally in their daily life and green riding should be promoted significantly. The saying of "Environmental protection is the most honourable behaviour" resulted in wide public recognition and inspired serious reflection accordingly.

Yadea was committed to promoting green riding with new energy, and our mission and vision included the advocation of environmental protection and green transportation. The public video clipping perfectly matched China's attitude and requirements on green environment and the Sustainable Development Goals (SDGs) of the United Nations. Also, as a leader of the electric vehicle industry, Yadea made every endeavour to advocate green riding in China to fully perform its social responsibility.

The Board is pleased to present this corporate governance report of the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high corporate governance standards.

The Group believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. For the year ended 31 December 2019, the Company has fully complied with the code provisions set out in the CG Code. The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

COMPLIANCE WITH THE MODEL CODE FOR 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 its own code of conduct regarding securities transactions of the Directors. Specific enquiries have been made to all the Directors who have confirmed that they have complied with the Model Code for the year ended 31 December 2019. The Board has also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

THE BOARD

(1) Responsibilities

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the risk management and internal control systems; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Group has internal audit function.

The Company has arranged appropriate insurance cover for Director's liabilities in respect of legal action against its Directors arising out of corporate activities.

(2) Authorisation

The Board delegates the day-to-day management, administration and operation of the Group to management and contributes to the Group through monitoring daily business operation, development plan and implementation. In addition, the Board has established several Board committees and delegates to the Board committees the responsibilities set out in their written terms of reference. The Board regularly reviews the delegated functions to ensure that they suit the needs of the Group.

(3) Board composition

The Board currently comprises eight Directors, including three executive Directors, one non-executive Director and four independent non-executive Directors.

Executive Directors:	Mr. Dong Jinggui *(Chairman)* Ms. Qian Jinghong Mr. Shen Yu
Non-executive Director:	Mr. Zhang Yiyin (appointed on 29 April 2019)
Independent Non-executive Directors:	Mr. Li Zongwei Mr. Wu Biguang Mr. Yao Naisheng Mr. Wong Lung Ming (appointed on 29 April 2019)

The biographical information of the Directors are set out in the section headed "Directors & Senior Management Profiles" from page 45 to page 47 of this annual report. Mr. Dong Jinggui, who is the executive Director, is the spouse of Ms. Qian Jinghong, who is also the executive Director. Save as disclosed above, none of the members of the Board is related to one another.

All the Directors, including non-executive Director and independent non-executive Directors, bring invaluable operating experiences, knowledge and professionalism to the Board, which allows for its effective and efficient operation.

Non-executive Director and independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors. A list of the Directors and their role and function is published on the websites of the Company and the Stock Exchange.

(4) Independent non-executive Directors

For the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

(5) Appointment and re-election of Directors

Each of the executive Directors has entered into a service contract with the Company on 22 April 2016 for an initial term of three years commencing from 19 May 2016 (the "**Listing Date**") unless terminated by not less than three months' notice in writing served by either the executive Director or the Company. Mr. Liu Yeming resigned as an executive Director with effect from 14 May 2019 due to his desire to devote more time to his personal affairs. Mr. Shi Rui resigned as an executive Director with effect from 26 November 2019 due to other work arrangements. Mr. Dong Jinggui, Ms. Qian Jinghong and Mr. Shen Yu have renewed their service contracts with the Company on 5 June 2019 for a term of three years commencing from 19 May 2019.

Mr. Zhang Yiyin has entered into an appointment letter with the Company as a non-executive Director for a term of three years commencing from 29 April 2019 and was re-elected as a non-executive Director at the 2019 AGM.

Each of Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng has entered into an appointment letter with the Company on 22 April 2016 for a term of three years commencing from the Listing Date. According to the articles of association of the Company (the "**Articles of Association**"), Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng retired at the annual general meeting held on Wednesday, 5 June 2019 (the "**2019 AGM**"), and, being eligible, offer themselves for re-election at the 2019 AGM. They were all re-elected as independent non-executive Directors at the 2019 AGM and signed appointment letters with the Company on 5 June 2019 for a term of three years commencing from 19 May 2019.

Mr. Wong Lung Ming has entered into an appointment letter with the Company as an independent non-executive Director for a term of three years commencing from 29 April 2019 and was re-elected as an independent non-executive Director at the 2019 AGM.

Pursuant to the Articles of Association, the Board shall have the power from time to time and at anytime to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

According to the Articles of Association, Mr. Dong Jinggui, Ms. Qian Jinghong and Mr. Shen Yu will retire at the annual general meeting to be held on Friday, 12 June 2020 (the "**2020 AGM**"), and, being eligible, offer themselves for re-election at the 2020 AGM.

(6) Continuous professional development of Directors

Directors keep abreast of responsibilities as a Director and of the business activities and development of the Company. In 2019, each Director, namely Mr. Dong Jinggui, Ms. Qian Jinghong, Mr. Liu Yeming (resigned on 14 May 2019), Mr. Shi Rui (resigned on 26 November 2019), Mr. Shen Yu, Mr. Zhang Yiyin, Mr. Li Zongwei, Mr. Wu Biguang, Mr. Yao Naisheng and Mr. Wong Lung Ming participated in continuous professional development. They developed and refresh their knowledge and skills in respect of the Listing Rules and relevant statutory requirements, thus to make contributions to the Board.

Internally-facilitated briefings for Directors are arranged and reading materials on relevant topics will be circulated to Directors where appropriate so as to ensure that Directors understand the condition of the Company and the latest policies from regulatory bodies in a timely manner. All Directors are encouraged to attend relevant training courses at the Company's expenses.

(7) Attendance of Directors and committee members

The attendance of each Director at the Board and committee meetings and the general meeting of the Company held for the year ended 31 December 2019 is set out in the table below:

Director	Board	Attendance/Number of Meetings Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
Executive Directors					
Mr. Dong Jinggui *(Chairman)*	8/8	1/1	–	–	1/1
Ms. Qian Jinghong	8/8	1/1	–	–	1/1
Mr. Liu Yeming (resigned on 14 May 2019)	2/2	–	1/1	–	–
Mr. Shi Rui (resigned on 26 November 2019)	7/7	–	–	–	1/1
Mr. Shen Yu	8/8	–	–	–	1/1
Non-executive Director					
Mr. Zhang Yiyin (appointed on 29 April 2019)	6/6	–	–	1/1	1/1
Independent Non-executive Directors					
Mr. Li Zongwei	8/8	1/1	–	2/2	1/1
Mr. Wu Biguang	8/8	1/1	1/1	2/2	1/1
Mr. Yao Naisheng	8/8	1/1	1/1	2/2	1/1
Mr. Wong Lung Ming (appointed on 29 April 2019)	6/6	–	–	1/1	1/1

The Company has annual meeting schedules and draft agenda of each meeting of the Board and the committees made available to Directors in advance, and serves notices of regular Board meetings at least 14 days before the meetings. For other Board and committee meetings, reasonable notices are given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors appraised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and every Director also have separate and independent access to the senior management of the Company where necessary.

Draft and final versions of minutes are circulated to Directors or relevant committee members for comment and records respectively within a reasonable time after each meeting. Minutes of Board meetings and committee meetings are kept by the company secretary or the duly appointed secretaries of the respective meetings (as the case may be) and are available for inspection by all Directors at all reasonable time. The Articles of Association contain provisions requiring any Director to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Director or any of his/her associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The positions of chairman and chief executive officer are held by Mr. Dong Jinggui and Ms. Qian Jinghong respectively. Mr. Liu Yeming was originally the chief executive officer of the Company, and had resigned on 14 May 2019. On the same date, Ms. Qian Jinghong was appointed to replace his position. Mr. Dong Jinggui, the co-founder of the Group, is our chairman and executive Director. He provides leadership and is responsible for the effective functioning of the Board. Ms. Qian Jinghong is our chief executive officer and executive Director. She focuses on the Company's business development and daily management and operations generally. The respective responsibilities of Mr. Dong Jinggui and Ms. Qian Jinghong are clearly defined and set out in writing.

The Company has established a general division of responsibilities between the chairman and president in writing. Further, the roles of chairman and president are separated and performed by different individuals. In this connection, the Board is of the opinion that the Company has complied with the code provision A.2.1 set out in the CG Code as at 31 December 2019.

The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Director and independent non-executive Directors.

BOARD COMMITTEES

The Board has established three committees, namely, the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the audit committee (the "**Audit Committee**"), to oversee particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Nomination Committee

As at the date of this annual report, the Nomination Committee comprises seven members, including two executive Directors, Mr. Dong Jinggui (chairman of the Nomination Committee) and Ms. Qian Jinghong, one non-executive Director, Mr. Zhang Yiyin, and four independent non-executive Directors, Mr. Li Zongwei, Mr. Wu Biguang, Mr. Yao Naisheng and Mr. Wong Lung Ming.

The main responsibility of the Nomination Committee includes reviewing the structure, size and composition of the Board on a regular basis and making recommendations on any proposed changes, identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, assess the independence of the independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of the Directors and succession planning for the Directors. The Nomination Committee also reviews the Board diversity policy adopted by the Board on 22 April 2016 (the "**Board Diversity Policy**") from time to time to ensure its effectiveness.

Dividend Policy

The Company has adopted an overall dividend policy that aims to provide Shareholders with satisfactory and reasonable dividend returns. The Company will determine the proportion of cash dividends for each year based on the actual situation of that year and consider factors including the following:

The declaration and payment of dividends shall be determined by the Board at its absolute discretion and shall comply with all applicable requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Articles of Association (including but not limited to restrictions on declaration and payment of dividends).

When proposing any dividend payment, the Board shall also consider (among other matters):

- Actual and expected financial results of the Group;
- Legal and compliance restrictions;
- Overall business conditions and strategies;
- The level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- The Group's expected working capital requirements and future expansion plans;
- Retained profits and distributable reserves of the Company and each of the members of the Group;
- Interests of Shareholders;
- Any contractual restrictions on the payment of dividends by the Company to its Shareholders or the payment of dividends by the Company's subsidiaries to the Company;
- Possible effects on the Group's creditworthiness;
- Taxation considerations;
- Liquidity position and future commitments at the time of declaration of dividends;
- General economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- Other factors that the Board deems appropriate.

Except in the case of interim dividends (see below), any dividend declared by the Company must be approved by the Shareholders' ordinary resolution at the annual general meeting and shall not exceed the amount of dividends proposed by the Board.

The Board may from time to time pay to the Shareholders such interim dividends when the Directors prove that the Company has profits available for distribution. In addition to cash, dividends may be distributed in the form of shares if they do not contravene but comply with the procedures of the Articles of Association.

The Company will continue to review this policy and reserve its sole and absolute discretion to update, revise, and/or modify this policy at any time.

Board Diversity Policy

The Board adopted the Board Diversity Policy on 22 April 2016.

On setting the composition of the Board, the Company maintains that Board appointment should be based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account professional experience and qualifications, gender, age, ethnicity, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to experience and expertise, professional experience and qualifications, gender, age, ethnicity and cultural and educational background. The Nomination Committee will review the Board Diversity Policy as and when appropriate to ensure its effectiveness.

Nomination Policy

The purpose of this policy is to state the guidelines for the Nomination Committee on selection, appointment and re – appointment of Directors.

This policy aims to ensure the Board achieves a balance among skills, experience, knowledge and diverse perspectives, which meets the Company's business requirements.

The Nomination Committee will take into account the following criteria with due consideration for the assessment, selection and recommendation to the Board of the proposed Director. The criteria include but not limited to:

(a) Diversification, including but not limited to gender, age, cultural background and educational background, professional experience, skills, knowledge and length of service;

(b) Commitment to the duties of the Board;

(c) Qualifications, including achievements and experience in the relevant industries the Company's business is involved in;

(d) Independence;

(e) Reputation for integrity; and

(f) Potential contributions that the individual(s) can bring to the Board.

The Nomination Committee will take into account the following criteria with due consideration to assess and recommend to the Board of one or more retiring Directors subject to re-appointment. The criteria include but not limited to:

(a) The overall contribution and service of the retiring Director(s) to the Company, including but not limited to the attendance at the meetings of the Board and/or meetings and general meetings of its committees (where applicable), and the level of participation and performance of the Board and/or its committees; and

(b) Whether the retiring Director(s) continue to meet these criteria.

In addition to these criteria, the Nomination Committee will take into account a number of factors with due consideration to assess and recommend one or more candidates to serve as an independent non-executive Director. The factors include but not limited to those factors set out in Rules 3.10(2) and 3.13 of the Listing Rules and are subject to amendments from time to time.

The Nomination Committee will make recommendations to the Board for the appointment of Directors in accordance with the following procedures and processes:

(a) The Nomination Committee will, after giving due consideration to the current composition and size of the Board, prepare a list of desirable skills, perspectives and experience so as to devote its efforts in identifying candidates from the beginning;

(b) The Nomination Committee may, after giving due consideration to these criteria, identify or select suitable candidates through various methods, including referrals from existing Directors, advertising, recommendations from third party agency firms and proposals from Shareholders;

(c) The Nomination Committee may carry out verification by ways such as interviews, reference checks, brief statements and third party references when evaluating the suitability of the candidates;

(d) Upon considering the suitability of a candidate for the directorship, the Nomination Committee will hold a meeting and/or by way of a written resolution, if thought fit, to approve the recommendations to the Board for appointment;

(e) The Nomination Committee will then make recommendations to the Board in respect of the proposed appointment. In case of a non-executive Director, the Remuneration Committee will make recommendations on the proposed remuneration package to the Board; and

(f) The Board may arrange for the selected candidates to be interviewed by the members of the Board who are not members of the Nomination Committee, and the Board will thereafter deliberate and decide the appointment (as the case may be).

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprises four members, including one non-executive Director, Mr. Zhang Yiyin, three independent non-executive Directors, Mr. Wu Biguang (chairman of the Remuneration Committee), Mr. Yao Naisheng and Mr. Wong Lung Ming.

The main responsibility of the Remuneration Committee are to establish, review and make recommendations to the Board on the policy and structure concerning the remuneration of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management of the Company and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Details of the amount of Directors' remuneration are set out in note 10 to the consolidated financial statements. The remuneration paid to the senior management of the Company (exclusive of Directors) for the year ended 31 December 2019 was within the range below:

Range of remuneration	No. of person
Nil to HKD1,000,000	–
HKD1,000,001 to HKD1,500,000	**2**
HKD1,500,001 to HKD2,000,000	**2**
HKD2,000,001 to HKD3,000,000	**1**

Audit Committee

Pursuant to the requirements under the CG Code and the Listing Rules, the Company has established the Audit Committee comprising four independent non-executive Directors, namely Mr. Li Zongwei (chairman of the Audit Committee), Mr. Wu Biguang, Mr. Yao Naisheng and Mr. Wong Lung Ming and one non-executive Director, Mr. Zhang Yiyin.

The responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board. The Audit Committee is also responsible for reviewing the financial reporting process and financial controls, risk management and internal control systems, including the internal audit function as well as arrangements for concerns about possible improprieties in financial reporting, risk management and internal control or other matters raised by employees of the Company (the "**whistle blowing**").

The Audit Committee and the Company's management have considered and reviewed the accounting principles and practices adopted by the Group and have discussed matters in relation to risk management, internal control and financial reporting, including the review of the consolidated financial statements of the Group for the year ended 31 December 2019.

For the year ended 31 December 2019, the Audit Committee held two meetings. The Audit Committee has performed the following work during the year:

(a) Reviewing:

   (i) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2019;

   (ii) the interim results announcement of the Group for the six months ended 30 June 2019; and

   (iii) the interim report of the Company for the six months ended 30 June 2019.

(b) Reviewing and considering the major audit findings by the external auditor of the Company.

(c) Reviewing and considering the major internal audit issues for the six months ended 30 June 2019 and reviewing the financial reporting system and risk management and internal control procedures of the Company.

(d) Reviewing the arrangements for employees of the Company can use to raise concerns about possible improprieties in financial reporting, risk management and internal control systems or other matters, and reviewing and considering the investigation progress of reported cases.

The Audit Committee also met with the external auditor twice without the presence of the executive Directors.

The Company's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance functions:

(a) To formulate and review the Group's corporate governance policies and practices and make recommendation to the Board;

(b) To review and oversee the trainings and continuous professional development of Directors and senior management of the Group;

(c) To review and oversee the Group's policies and practices on compliance with any requirements, guidelines and rules that may be imposed by the Board or which may be incorporated into any constitutional documents of the Group or which may have been provided by the Listing Rules, applicable laws and other regulatory requirements as well as by applicable institutional governance standards;

(d) To formulate, review and oversee the code of conduct and the compliance handbook (if any) of the employees of the Group and the Directors; and

(e) To review the Group's compliance with the CG Code as adopted by it from time to time and the disclosure in the corporate governance report as set out in the annual report of the Company.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2019.

The Board is responsible for presenting balanced, clear and understandable annual and interim reports, inside information disclosure and other disclosures of the Company required under the Listing Rules and other statutory and regulatory requirements.

The Company's management is responsible for providing such explanation and information necessary to the Board to enable the Board to carry out an informed assessment of the financial statements put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions which may cause significant doubt upon the Group's ability to continue as a going concern.

The statement regarding the Directors' responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 64 in this annual report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report from page 64 to page 65 in this annual report.

During the year, the remuneration paid or payable to the Company's external auditor in respect of audit services for the year ended 31 December 2019 is set out below:

Service Category	Fee paid/payable (RMB'000)
Audit services	**3,050**
Non-audit services (tax services)	**648**
Total	**3,698**

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for maintaining solid and effective risk management and internal control systems to safeguard investments of Shareholders and the Company's assets.

The risk management and internal control systems are designed to identify, assess and report on potential risks and implement control measures, to mitigate rather than to completely eliminate the risks associated with achieving our business objectives. These systems provide a reasonable but not absolute assurance against material misstatement or loss.

The key features of the Group's risk management and internal control systems include the following:

- An organised structure with clearly defined and distinct scope of authority and responsibilities;
- A comprehensive financial accounting system to provide for various performance measurement indicators and to ensure compliance with relevant rules;
- Annual plans prepared by senior management of the Company on financial reporting, operations and compliance with reference to significant potential risks;
- Strict prohibition of unauthorised expenditures;
- Guidelines on the dissemination of confidential and sensitive information;
- Specific approval from executive Director/responsible senior executive of the Company prior to commitment in all material matters;
- Appropriate policy to ensure the effective use of resources, the qualifications and experiences possessed by our staff members who are responsible for the Group's accounting and financial reporting functions, and sufficient training provided to our staff members;
- Management's review and evaluation on the internal control procedures and monitoring of risk factors on a regular basis; and
- Report to the Audit Committee about the findings on identified risks and measures to address such risks.

The main procedures used to identify, evaluate and manage significant potential risks are as follows:

- **Identify** – We identify current and emerging risks in our business operations and categorise those risks into a reasonable profile based on timeframe, likelihood, intensity and impact severity. We establish four risk categories, including strategic risks, financial risks, operating risks and legal risks. The Audit Committee has established and oversees the whistle blowing policy. In line with that commitment, the Company expects and encourages the employees, customers, suppliers and other stakeholders who have concerns about any suspected misconduct or malpractice within the Company to voice their concerns. All whistle blowing reports are investigated to the fullest extent possible and reported to the Audit Committee.
- **Assess** – We assess and prioritise risks so that the most important risks can be identified and dealt with. Based on both qualitative and quantitative analyses, we prioritise risks in terms of likelihood and impact severity.
- **Mitigate** – Based on our assessment of (i) the probability and impact severity of the risks and (ii) cost and benefit of the mitigation plans, we choose the appropriate option for dealing with risks, including risk elimination by suspending the associated business activities, risk reduction by adopting appropriate control measures, risk transfer by outsourcing or purchasing insurance policies, and risk acceptance by choosing to accept risks of low priority.
- **Measure** – We measure our risk management system by determining if changes have been implemented and if changes are effective. In the event of any weakness in control, we follow up by adjusting our risk management measures and reporting material issues to the Board.

The Audit Committee assists the Board to review and monitor the scope, issues, results and action plans in relation to or arising from the internal and external audits. The Audit Committee also assists with the Board's corporate governance role in the Group, particularly in overseeing the risk management and internal control systems, and managing the finance and internal audit functions.

During 2019, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Company, including the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company in relation to the accounting and financial reporting functions.

The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate to govern the adequacy of resources, staff qualifications and experiences, training programmes and budget of the accounting, internal audit and financial reporting functions.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with Shareholders essential for maintaining good investor relations and enhancing investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and extraordinary general meetings. The chairman of the Board, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at general meetings to meet Shareholders and answer their enquiries. In addition, to promote effective communication, the Company maintains a website at www.yadea.com.cn, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

JOINT COMPANY SECRETARIES

As at 31 December 2019. Mr. Shen Yu and Ms. Lam Yuk Ling are the joint company secretaries of the Company (the "**Joint Company Secretaries**"). The chief responsibilities of the Joint Company Secretaries include supporting the Board in business transactions, ensuring good communication and flow of information within the Board and the compliance of the policies and procedures of the Board, and advising the Board on governance matters, assisting newly appointed Director to his/her new position and overseeing the trainings and continuous professional development of the Directors. Ms. Lam Yuk Ling is a manager of TMF Hong Kong Limited (a global corporate service provider). Her primary contact person at the Company is Mr. Shen Yu, the other Joint Company Secretary.

According to Rule 3.29 of the Listing Rules, the Joint Company Secretaries have confirmed that they have taken no less than 15 hours of professional trainings to update their skills and knowledge for the year ended 31 December 2019. The biographical details of Mr. Shen Yu and Ms. Lam Yuk Ling are set out on page 49 of this annual report respectively.

GOING CONCERN CAPABILITY

The Board has not been aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder's interests and rights, a separate resolution is proposed for each separate issue at general meetings, including the election of individual Directors.

Except where the chairman of the Board, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings shall be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedure for convening an extraordinary general meeting by Shareholders

Pursuant to the Articles of Association, any one or more Shareholders holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings may require an extraordinary general meeting by a written requisition to the Board or the Joint Company Secretary either via personal delivery or mail (for the attention of the Board/Joint Company Secretary, at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or via email (ydsh@yadea.com.cn). The Board shall, within 21 days from the date of deposit of the requisition, duly convene a general meeting.

Procedure for putting forward proposals at general meetings

Any Shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration either via personal delivery, mail (for the attention of the Board/Joint Company Secretary, at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong) or via email (ydsh@yadea.com.cn). The Board may, in its sole discretion, consider if such proposals are appropriate and shall put forward such proposals to the Shareholders for approval at the next annual general meeting, or at an extraordinary general meeting to be convened by the Board, as appropriate.

Procedure for putting forward enquiries to the Board

Shareholders are, at any time, welcome to send their enquires or requests to the Board via personal delivery or mail (for the attention of Shareholder Communication, at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong) or via email (ydsh@yadea.com.cn).

Note: The Company will not normally deal with verbal or anonymous enquiries.

For the avoidance of doubt, Shareholder(s) must deposit/send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's aforesaid address, and provide his/her/their full name(s), contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional documents

For the year ended 31 December 2019, there were no changes in the constitutional documents of the Company.

INFORMATION DISCLOSURE

Regarding the disclosure of inside information and internal control measures, the Company understands its duties under the Listing Rules and the Securities and Futures Ordinance (the "**SFO**"), and adheres to the important principle of timely publication of the inside information. The Company abides by the "Guide on disclosure of inside information" published by the Securities and Futures Commission, and has developed a complete system of internal procedures and internal control measures for processing and publication of information in order to ensure the timely, accurate and appropriate disclosure of relevant information to the Shareholders and regulatory authorities.

The Group has put in place a system for the disclosure of inside information in compliance with the SFO. The system sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the stakeholders to apprehend the latest position of the Group. The system and its effectiveness are subject to review on a regular basis according to the established procedures.

SUMMARY OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Company strived to fulfil their social responsibilities by proactively implementing practices and policies in relation to the ESG issues. Pursuant to the Environmental, Social and Governance Reporting Guide, Appendix 27 to the Listing Rules, the Company kept reviewing and improving their work on sustainable development within the Reporting Period. A detailed disclosure of the ESG results is set out from page 12 to page 32 of this annual report.

DIRECTORS & SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. Dong Jinggui (董經貴), aged 51, is the co-founder of the Group and the chairman of the Board. Mr. Dong has been the Director since 17 July 2014 and was re-designated as the executive Director on 19 January 2015. Mr. Dong is currently a director of Yadea Group, Jiangsu Yadea and Jiangsu Xindi and a supervisor of Tianjin Weiye. In addition to serving in the Group companies, Mr. Dong has been a director of Jiangsu Yadea since June 2014. Mr. Dong has approximately 19 years of experience in the electric two-wheeled vehicle industry. Mr. Dong began tapping into the electric two-wheeled vehicle industry in 1997 when he began the preparation of the establishment of Jiangsu Yadea with Ms. Qian Jinghong. In order to expand his networks and acquire the latest industry knowledge and resources, Mr. Dong also frequently attended industry related seminars and conferences. Prior to 1997, Mr. Dong was employed for six years at a motorcycle factory where he acquired relevant industry knowledge and experience.

In December 2008, Mr. Dong was named the "Pride of Sushang – the Most Respected Entrepreneur in Jiangsu in the 30 Years of Reform and Opening up (改革開放30年•「蘇商驕傲–江蘇最受尊敬企業家」)" by Nanjing University Business School (南京大學商學院), the Institute of Economics of Jiangsu Provincial Academy of Social Sciences (江蘇省社會科學院經濟研究所) and Quality "Sushang" Magazine (精品《蘇商》雜誌社). In July 2013, Mr. Dong was recognised as an outstanding leader in quality management group activities in the national light industry (全國輕工業品質管制小組活動卓越領導者) by the Light Industry Branch of the China Association for Quality (中國質量協會輕工分會). Mr. Dong has been the vice president of the Jiangsu Bicycle and Electric Bicycle Association (江蘇省自行車電動車協會) since July 2013. Mr. Dong is currently a student in the Executive Master of Business Administration Programme jointly offered by the Harbin Institute of Technology and the ASIA Pacific Institute of Management China.

Ms. Qian Jinghong, an executive Director, is the spouse of Mr. Dong.

Ms. Qian Jinghong (錢靜紅), aged 48, is the co-founder of the Group and the vice chairman of the Board. Ms. Qian was appointed as the chief executive officer of the Company on 14 May 2019. Ms. Qian has been the Director since 17 July 2014 and was re-designated as the executive Director on 19 January 2015. Ms. Qian is currently a director of Yadea Import Export and a supervisor of Yadea Group and Tianjin Industry. Ms. Qian has approximately 19 years of experience in the electric two-wheeled vehicle industry. Ms. Qian began tapping into the electric two-wheeled vehicle industry in 1997 when she began the preparation of the establishment of Jiangsu Yadea with Mr. Dong Jinggui. In order to expand her networks and acquire the latest industry knowledge and resources, Ms. Qian also frequently attended industry related seminars and conferences. Prior to 1997, Ms. Qian was employed for four years at a motorcycle factory where she acquired relevant industry knowledge and experience.

Currently, Ms. Qian also serves as the vice president of the Junior Chamber of Commerce of Xishan District (錫山區青商會). Ms. Qian received the Certificate of Accounting Professional from the Finance Bureau of Xishan,Wuxi (無錫市錫山區財政局) in September 2000. Ms. Qian is currently a student in the Executive Master of Business Administration Programme jointly offered by the Harbin Institute of Technology and the ASIA Pacific Institute of Management China.

Mr. Dong Jinggui, an executive Director, is the spouse of Ms. Qian.

Mr. Shen Yu (沈瑜), aged 45, has been the Director since 10 December 2014 and was re-designated as the executive Director on 19 January 2015. Mr. Shen joined the Group in May 2005 and has since served as the assistant to the chairman of the Board and supervisor of the president's office. Mr. Shen is responsible for the administrative affairs of the Group, as well as assisting the chairman of the Board and president in external affairs and public relations management. Mr. Shen is also the Joint Company Secretary.

Prior to joining the Group, Mr. Shen was a deputy general manager of Wuxi Lianmei Public Relations Co., Ltd. (無錫聯美公關有限公司) from May 2001 to April 2005, a quality control engineer at Wuxi Murata Electronics Co., Ltd. (無錫村田電子有限公司) from October 2000 to May 2001, an electrical engineer at Wuxi Mining Machinery Plant (無錫礦山機械廠) from January 1997 to October 2000 and an electrical engineer at Yizheng Huaxian Group Co., Ltd. (儀征化纖集團有限公司) from July 1995 to December 1996.

Mr. Shen graduated from Xi'an Jiaotong University (西安交通大學) with a tertiary qualification in Industrial Automation in July 1995 and graduated from Southeast University (東南大學) with a master's degree in Business Administration in June 2013.

Non-Executive Director

Mr. Zhang Yiyin (張禕胤), aged 37, was appointed as the non-executive Director on 29 April 2019. He is currently the director and vice president of Shanghai Legal Master Co., Ltd., and the permanent visiting professor of Shanghai University of International Business and Economics, teaching relevant credit-bearing courses of "Investment and Entrepreneurship". At the same time, Mr. Zhang is the deputy secretary of Shanghai Internet Industrial Investment Alliance (the "**Alliance**") and also the entrepreneurship mentor and investment consultant of the Alliance. In 2007, Mr. Zhang was the business and economics officer of Consulate General of the Netherlands in Shanghai. In 2010, Mr. Zhang established Shanghai Sunshine Equity Investment Service Co., Ltd which focuses on the professional affairs of corporate governance relating to equity investment.

Mr. Zhang received his Bachelor degree of Communication in University of Inholland, the Netherlands. Mr. Zhang is the Certified Mergers and Acquisitions Dealmaker of the China Mergers & Acquisitions Association and holds the fund practitioner qualification of Asset Management Association of China.

Independent Non-Executive Directors

Mr. Wu Biguang (吳郯光), aged 63, was appointed as the independent non-executive Director on 10 December 2014. Mr. Wu is responsible for supervising and providing independent judgement to the Board.

In addition to serving as the independent non-executive Director, Mr. Wu is currently the head of the Faculty of Law, the first level academic leader of the master's programme and the professor-in-charge of the master's programme in Criminal Law at the College of Humanities and Law of the North China University of Technology (北方工業大學文法學院), where he has been teaching since May 1989. Mr. Wu is also a committee member of the Professional Advisory Committee of the District People's Court of Shijingshan District, Beijing (北京市石景山區人民法院專家諮詢委員會委員) and a committee member of the Government Administration Review Committee of Shijingshan District (石景山區政府行政復議委員會委員). Mr. Wu is a part-time legal practitioner as certified by the Bureau of Justice of Beijing (北京市司法局) in December 2009.

Previously, Mr. Wu served as an independent non-executive director of Inner Mongolia Yili Industrial Group Co., Ltd. (蒙古伊利實業集團股份有限公司) (Shanghai Stock Exchange stock code: 600887) between October 2004 and May 2011, where he had been a member of the remuneration committee, nomination committee and strategy committee. Mr. Wu was a professor at the School of Law of Zhengzhou University (鄭州大學法學院) between July 1984 and May 1989.

Mr. Wu was recognised as an "Outstanding Teacher in Beijing (北京市優秀教師)" by the Education Commission of Beijing Municipal Committee of the Communist Party of China (中國共產黨北京市委員會教育工作委員會), Beijing Municipal Commission of Education (北京市教育委員會), Human Resources and Social Security Bureau of Beijing Municipality (北京市人事局), Finance Bureau of Beijing Municipality (北京市財政局), Labour Bureau of Beijing Municipality (北京市勞動局) and Trade Union on Education of China, Beijing Committee (中國教育工會北京市委員會) in 1997. Mr. Wu graduated from China University of Political Science and Law (中國政法大學) with a bachelor's degree in Law in July 1984 and from Peking University (北京大學) with a master's degree in Criminal Law in July 1996.

Mr. Li Zongwei (李宗煒), aged 48, was appointed as the independent non-executive Director on 18 January 2015. Mr. Li is responsible for supervising and providing independent judgement to the Board.

In addition to serving as the independent non-executive Director, Mr. Li is currently the chief strategic officer of Yingli Green Energy Holding Company Limited (New York Stock Exchange stock code: YGE), where he was the chief financial officer between November 2006 and May 2009, an executive director and the chief financial officer between May 2009 and May 2014 and an executive director and the chief strategic officer between May 2014 and November 2014. Mr. Li is also the president of Shanghai Sailing Huili Asset Management Co., Ltd. (上海賽領暉力資產管理有限公司) and an independent non-executive director and the chairman of the auditing committee of Youku Tudou Inc. (New York Stock Exchange stock code: YOKU). Mr. Li was a senior auditing manager of PricewaterhouseCoopers between April 1995 and October 2006.

Mr. Li was consecutively listed as one of the "Forty Business Elites in China Under the Age of 40 (中國40位40歲以下的商界精英)" by Fortune China from 2011 to 2013. Mr. Li became a non-practicing member of the Shanghai Institute of Certified Public Accountants in December 2009 and was admitted as a fellow chartered chief financial officer by the International Association of Education in August 2010.

Mr. Li graduated from Shanghai Institute of Technology (上海應用技術學院) with a bachelor's degree in Mechanical Engineering in July 1993 and from Washington University in Saint Louis with a master's degree in Business Administration in December 2006.

Mr. Yao Naisheng (姚乃勝), aged 48, was appointed as the independent non-executive Director on 28 August 2015. Mr. Yao is responsible for supervising and providing independent judgement to the Board.

In addition to serving as the independent non-executive Director, Mr. Yao is currently a vice president at JD.com. Previously, Mr. Yao was a senior investor at Hillhouse Capital Group between November 2009 and January 2011, an associate partner at International Business Machines Corporation (IBM) between April 2007 and October 2009, and a director at CertainTeed Corporation between July 2005 and March 2007.

Mr. Yao graduated from Tianjin University with a bachelor's degree in Chemical Engineering in July 1993 and a master's degree in Engineering in April 1996. Mr. Yao graduated from Yale University with a Doctor of Philosophy in May 2002.

Mr. Wong Lung Ming (黃隆銘), aged 62, was appointed as the independent non-executive Director on 29 April 2019. Mr. Wong is responsible for supervising and providing independent judgement to the Board.

In addition to serving as the independent non-executive Director, Mr. Wong is currently the founder and president of Leader Momentum Limited and Leader Momentum (Shanghai) Limited, and the adjunct associate professor of Institute for China Business in the University of Hong Kong School of Professional and Continuing Education, teaching Postgraduate Diploma for working executives in China on Leadership and Human Resource Management. From 1983 to 2008, Mr. Wong worked in Philips Electronics and held a number of positions including the vice president of Philips Domestic Appliances & Personal Care (DAP) division and general manager of Philips DAP Greater China, and the Ad Interim Leader of DAP division for Asia Pacific region, the director of two DAP factories in Suzhou and Zhuhai. Mr. Wong and his team won the Philips Business Excellence (PBE) bronze award (based on European Foundation of Quality Management Excellence Model).

Mr. Wong received his First Class Honour Bachelor degree of Business Administration majoring in Marketing from The Chinese University of Hong Kong; and MBA degree from The Hong Kong University of Science and Technology.

SENIOR MANAGEMENT

Mr. Shi Rui (石鋭), aged 43, is the chief financial officer of the Company. Mr. Shi joined the Group in March 2014 and is responsible for the financial aspects of the Group. Mr. Shi resigned as an executive Director with effect from 26 November 2019 due to other work arrangements.

Prior to joining the Group, Mr. Shi had held various positions at Beijing Zhongchang Accounting Firm (北京中昌會計師事務所) from January 2001 to June 2006 and from July 2008 to February 2014, including positions as a project manager, a division manager, a senior manager and a partner. In addition, Mr. Shi was a financial manager and consultant at Shenzhen Winscom Industrial Co., Ltd., Beijing Branch (深圳市維新康實業有限公司北京分公司) between July 2006 and June 2008.

Mr. Shi became a registered member of the Chinese Institute of Certified Public Accountant in July 2003 and received his accountant qualification from the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in September 2003. Mr. Shi graduated from Shaanxi University of Finance and Economics (陝西財經學院) with a tertiary qualification in International Accounting in June 1999.

Mr. Wang Jiazhong (王家中), aged 42, joined the Group in February 1999 as an officer. Mr. Wang has been the vice president of the Group since April 2017, the executive director of Tianjin Industry since January 2011, the executive director of Tianjin Weiye since September 2009 and the deputy general manager of Yadea Sales since October 2014. Mr. Wang is responsible for the sales of the Group. Mr. Wang was the general manager of the Tianjin branch of Jiangsu Yadea between September 2006 and May 2013.

Mr. Wang served as a member of the Standing Committee of the People's Congress of Beichen District, Tianjin (天津市北辰區人民代表大會常務委員會) in November 2011. Mr. Wang was recognised as the "Most Beautiful Youth Who Creates Wealth Through Entrepreneurship (最美創業致富青年)" by the Beichen District Committee of the Youth League of the Communist Party of China (中國共青團北辰區委員會) in April 2014. Mr. Wang received the Qualification Certification of Senior Professional Manager from the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會) in December 2013. Mr. Wang graduated from Nankai University (南開大學) with a tertiary qualification in Business Administration, an online programme, in January 2014. Mr. Wang completed the Executive Master of Business Administration Programme at Tianjin University (天津大學) in June 2018.

Mr. Zhou Chaoyang (周朝陽), aged 37, joined the Group in May 2000 as an officer and became the general manger of Guangdong Yadea in August 2010. Mr. Zhou has been the general manager of our Wuxi facility since October 2014 and is responsible for the operations of the Wuxi facility. Mr. Zhou has also been the general manager of Yadea Sales since April 2016. Mr. Zhou became the general manager of Wuxi facility in April 2019.

Mr. Zhou graduated from Wuhan University of Technology (武漢理工大學) with a tertiary qualification in Business Administration, an online programme, in July 2009.

Mr. Xue Bo (薛波), aged 46, has been the chief officer of products of the Group since he joined the Group in April 2013 and was appointed as a vice president of the Group on January 2018. He is responsible for the product development and planning of the Group.

Prior to joining the Group, Mr. Xue was an officer of Jiangsu Tianjue Motorcycle Technology Co., Ltd. (江蘇天爵機車科技有限公司) between October 2006 and February 2010, and was the officer of Longxin Motorcycle Co., Ltd. (隆鑫摩托有限公司) between July 1997 and October 2006.

Mr. Xue graduated from Chongqing Yuzhou University (重慶渝州大學) with a tertiary qualification in Automobiles Manufacturing in June 1997.

Mr. Zhou Chao (周超), aged 40, joined the Group in May 2007, and became the vice president of the Group in March 2018. He was responsible for the operation and management of the Company. Mr. Zhou became the general manager of Guangdong branch since October 2014 and was responsible for the operation of Guangdong facility.

Prior to joining the Group, Mr. Zhou was the sales director of Qianjiang Motorcycle Group from November 2002 to April 2007.

Mr. Zhou graduated from Nanjing University with a bachelor's degree in law in 2007.

Mr. Wang Jinlong (王金龍), aged 46, has been the technical supervisor of Yadea Group since October 2014 and is responsible for the operations of our research and development centre. Mr. Wang first joined the Group in April 2004 as a production deputy manager of Jiangsu Yadea. Mr. Wang left the Group temporarily in December 2006 and became the general manager of Wuxi Auspicious Lion Technology Co., Ltd. (無錫吉祥獅科技有限公司) from February 2007 to May 2012. Mr. Wang rejoined the Group in October 2012 as the deputy general manager of Jiangsu Yadea and became the supervisor of our research and development centre for electric scooters between July 2013 and October 2014.

Mr. Wang graduated from Zhenjiang Shipping College (鎮江船舶學院) (currently known as Jiangsu University of Science and Technology (江蘇科技大學)) with a bachelor's degree in Welding Materials and Engineering in July 1996.

JOINT COMPANY SECRETARIES

Mr. Shen Yu (沈瑜) was appointed as the Joint Company Secretary on 19 January 2015. For details of Mr. Shen, please refer to the "Directors – Executive Directors" sub-section above.

Ms. Lam Yuk Ling (林玉玲) was appointed as the Joint Company Secretary on 31 August 2018. Ms. Lam is a manager of the listing services department of TMF Hong Kong Limited. She has over 10 years of professional experience in the company secretarial field and has acquired extensive knowledge and experience in corporate governance and compliance affairs of listed companies. Ms. Lam is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in United Kingdom.

Ms. Lam works closely with Mr. Shen to jointly discharge the duties and responsibilities as Joint Company Secretaries.

REPORT OF DIRECTORS

The Directors are pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands with limited liability. Its registered office is situated in the Cayman Islands and its operation headquarter is located at Wuxi, Jiangsu Province, China.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company's subsidiaries were principally engaged in the development, manufacture and sale of electric two-wheeled vehicles and related accessories in the PRC. The principal activities and other details of subsidiaries of the Company are set out in note 1 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As the manufacturer and seller of electric two-wheeled vehicles, the Company attaches great importance to environmental protection. We strictly comply with each of the local regulations in the regions where we conduct production and operation and properly implement various environmental policies regarding our actual situations in production and operation. Before establishing production facilities and expanding production scale, the Company has already obtained all necessary approvals and permits from relevant government authorities. Environmental policies and performance, please refer to the section headed "Environmental, Social and Governance Report" from page 12 to page 32 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company was established in the Cayman Islands with its principal business conducted in the PRC, and its shares (the "**Shares**") are listed on the Stock Exchange. Therefore, our establishment and operation are subject to relevant laws in the Cayman Islands, the PRC and Hong Kong. For the year ended 31 December 2019 and up to the date of this annual report, we complied with relevant laws and regulations in Cayman Islands, the PRC, and Hong Kong.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group respects its people. We offer reasonable remunerations to our employees and continuously modify systems such as remunerations and benefits, training, occupational health and safety for the purpose of retaining talents. Reviews and updates will be conducted on a regular basis. The Group has a good relationship with its customers. To perfect our services, the Group sets up a customer complaint management system, including collection of complaints, analytic research and provision of recommendations for improvement.

The Group has a good relationship with its suppliers and conducts audits on its suppliers in a fair and strict manner every year. For key relationships between the Company and its employees, customers and suppliers, please refer to the section headed "Environmental, Social and Governance Report" from page 12 to page 32 of this annual report.

SUBSIDIARIES

Please refer to note 38 of the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated financial statements.

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2019 and for the past four financial years are set out from page 5 to page 6 of this annual report.

RESERVES

As at 31 December 2019, distributable reserves of the Group amounted to RMB2,458 million. Details of movements in reserves of the Group during the year are set out in consolidated statement of changes in equity.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (for the year ended 31 December 2018: 4.0 HK cents per ordinary Share).

ANNUAL GENERAL MEETING

The 2020 AGM will be held on Friday, 12 June 2020. Notice of the 2020 AGM will be published and issued to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 9 June 2020 to Friday, 12 June 2020, both dates inclusive, during which time no transfer of Shares will be registered. To qualify for attending and voting at the 2020 AGM, Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant Share certificates, to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 8 June 2020 for registration of the relevant transfer.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2019 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements. For the year ended 31 December 2019, there was no issuance of bonds by the Company.

BUSINESS REVIEW

We are a leading electric two-wheeled vehicle brand in the PRC, focusing on designing, researching, developing, manufacturing and selling electric scooters, electric bicycles and related accessories. Over the course of 17 years, we have successfully established "Yadea" as a premium brand of electric two-wheeled vehicles in the PRC. Under "Yadea" brand, we offer a wide range of electric scooters and electric bicycles with diverse designs, styles and functionalities catering to the needs of a broad customer base. Our domestic network covered almost every administrative region of the PRC and consisted of 2,155 distributors as well as their sub-distributors with over 12,000 points of sales as at 31 December 2019. Internationally, we made our sale in over 80 countries through our international distribution network.

A review and analysis of the Group's business, results and performance during the year ended 31 December 2019, the discussion and analysis of the key factors of its results and financial performance, the risk factors and risk management and the prospect for future development are set out in the section headed "Management Discussion and Analysis" from page 8 to page 11 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTY

The Group has limited foreign exchange exposure arising from international sales. For further details, please refer to the section headed "Liquidity and Financial Resources – currency risk" under the "Management Discussion and Analysis" in this annual report.

IMPORTANT EVENTS

Save as disclosed above, there were no important events during and after 31 December 2019.

FUTURE DEVELOPMENT

2020 is a year of challenges and opportunities. It is expected that the Group's full-year results of operations might be affected to certain extent in light of the fact that the outbreak of the COVID-19 has not been completely contained in the PRC and overseas countries at this stage. However, the management will actively keep monitoring the performance of the Group and assessing the impact to the Group, and will implement fitting strategy in a timely manner. The Group will continue to allocate more resources for research and development, enriching product portfolio, keeping a close eye on enhancing the brand equity, maintaining a premium pricing strategy and exploring opportunities for strategic cooperation, so as to further consolidate and strengthen our leading position in the electric two-wheeled vehicles industry in the PRC. Overall, the management remains very optimistic towards the future business prospect of the Group.

FINANCIAL KEY PERFORMANCE INDICATORS

For the Reporting Period, our revenue increased by approximately 20.7% to approximately RMB11,968.2 million as compared with the year ended 31 December 2018. Our gross profit increased by approximately 28.3% to approximately RMB2,078.1 million as compared with the year ended 31 December 2018. Profit attributable to the owners of the Company increased by approximately 19.8% to approximately RMB516.4 million as compared with the year ended 31 December 2018.

USE OF PROCEEDS FROM GLOBAL OFFERING

On the Listing Date, the Company issued 750 million Shares at an offer price of HK$1.72 per Share on the Stock Exchange by global offering. The net proceeds from the global offering (after deducting the underwriting fees and commissions and other expenses payable by the Company in connection with the global offering) amounted to approximately HK$1,074.0 million (equivalent to approximately RMB907.3 million).

The use of net proceeds from global offering for the year ended 31 December 2019 is set out as follows:

	Use of net proceeds as disclosed in the Prospectus (RMB million)	Actual use of net proceeds up to 31 December 2019 (RMB million)	Unutilised net proceeds up to 31 December 2019 (RMB million)	Expected time of full utilisation of remaining balance
Improve the distribution and sales as well as marketing including (i) brand promotion, advertising and marketing, (ii) expansion of the distributor points of sales overhaul campaign, (iii) expansion of the international sales, and (iv) development of the online platform, including online sales promotion and marketing;	**453.7**	**403.0**	**50.7**	**31 December 2020**
Business expansion, including (i) purchases of new automated production equipment and production expansion and (ii) potential mergers and acquisitions;	**272.2**	**144.1**	**128.1**	**31 December 2021**
Research and development of products, improvement of research and development facilities as well as recruitment of research and development personnel; and	**90.7**	**90.7**	**0**	
General working capital	**90.7**	**90.7**	**0**	
Total	**907.3**	**728.5**	**178.8**	

As of the date of this annual report, there were no changes of business plan from that disclosed in the prospectus of the Company dated 9 May 2016 (the "**Prospectus**"). Approximately 80% of the net proceeds had been utilised, which was consistent with the use of proceeds as disclosed in the Prospectus.

CONNECTED TRANSACTIONS

There is no connected transaction conducted during the year ended 31 December 2019.

PURCHASE, SALE OR REPURCHASE OF THE COMPANY'S LISTED SECURITIES

The Company has repurchased from the market a total of 5,000,000 Shares during the year ended 31 December 2019. All the Shares repurchased have been cancelled. The Board believes the repurchase of Shares and subsequent cancellation of the repurchased Shares could enhance the value of the Shares thereby improving the return to Shareholders. Details of the repurchases of such Shares were as follows:

Month of repurchase	Number of Shares repurchased	Price per share Highest (HKD)	Price per share Lowest (HKD)	Aggregate repurchase price (HKD)
July 2019	**500,000,000**	**1.58**	**1.54**	**7,828,200**
Total	**500,000,000**			**7,828,200**

CONTINGENT LIABILITIES

For details of the Group's contingent liabilities, please refer to the section headed "Liquidity and Financial Resources" under the "Management Discussion & Analysis" in this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

As at the end of the Reporting Period, according to the laws of the Cayman Islands, holders of listed securities of the Company are not entitled to tax relief for their status as the holder of such securities.

PERMITTED INDEMNITY PROVISION

As at the date of this annual report, all Directors were covered under the liability insurance purchased by the Company for the Directors.

CHARITABLE DONATIONS

During the Reporting Period, the Group made no material charitable and other donations.

NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

As disclosed in the Prospectus, the Company entered into a deed of non-competition (the "**Non-Competition Deed**") with Mr. Dong Jinggui, Ms. Qian Jinghong, Dai Wei Investment Company Limited (the "**Dai Wei**") and Fang Yuan Investment Company Limited (the "**Fang Yuan**") (collectively, the "**Controlling Shareholders**") on 22 April 2016, under which the Controlling Shareholders jointly and severally agreed not to, whether as principal or agent and whether undertaken directly or indirectly (including through any associate, subsidiary, partnership, joint venture or other contractual arrangement of theirs) and whether for profit or otherwise, carry on, engage, invest, participate or hold any right or be interested in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, or is likely to be in competition, directly or indirectly, with the business referred to in the Prospectus that is carried on or contemplated to be carried on by any member of the Group.

Notwithstanding the above, the foregoing restrictions do not preclude any of the Controlling Shareholders from having any interest in Shares of not more than 5% in any company which is or whose holding company is listed on any recognised the Stock Exchange even though the business carried out by such company is or is likely to be in competition with the business, provided that the aggregate number of Shares held by the Controlling Shareholders does not exceed 5% of the issued Shares of such company and none of the Controlling Shareholders is a director of such company or is entitled to appoint any director of such company.

Each of the Controlling Shareholders has undertaken in the Non-Competition Deed that during the term of the Non-Competition Deed, if a new business opportunity is made available to any Controlling Shareholder or its/his/her respective associates, such Controlling Shareholder will or will procure its/his/her associates to notify the Company in writing and provide to the Company all information that is reasonably necessary for the Company to consider whether or not to pursue such business opportunity. For details of the Non-Competition Deed, please refer to the section headed "Relationship with Controlling Shareholders – Non – competition Undertaking" in the Prospectus.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Non-Competition Deed for disclosure in this annual report for the year ended 31 December 2019.

The independent non-executive Directors have also reviewed the compliance and enforcement status of the Non-Competition Deed, and are of the view that the Controlling Shareholders have abided by the undertakings contained in the Non-Competition Deed for the year ended 31 December 2019.

DIRECTORS

The Directors during the financial year and up to the date of this annual report were:

Executive Directors:	Mr. Dong Jinggui *(Chairman)* Ms. Qian Jinghong Mr. Liu Yeming (resigned on 14 May 2019) Mr. Shi Rui (resigned on 26 November 2019) Mr. Shen Yu
Non-executive Director:	Mr. Zhang Yiyin (appointed on 29 April 2019)
Independent Non-executive Directors:	Mr. Li Zongwei Mr. Wu Biguang Mr. Yao Naisheng Mr. Wong Lung Ming (appointed on 29 April 2019)

In accordance with the Articles of Association, Mr. Dong Jinggui, Ms. Qian Jinghong and Mr. Shen Yu will retire at the 2020 AGM to be held on Friday, 12 June 2020 and, being eligible, offer themselves for re-election at the 2020 AGM.

None of the Directors proposed for re-election at the forthcoming 2020 AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' SERVICE CONTRACTS

Save for those disclosed in this annual report, each of the executive Directors has entered into a service contract with the Company on 22 April 2016 for an initial term of three years commencing from the Listing Date unless terminated by not less than three months' notice in writing served by either the executive Director or the Company. Mr. Dong Jinggui, Ms. Qian Jinghong and Mr. Shen Yu have renewed their service contracts with the Company on 5 June 2019 for a term of three years commencing from 19 May 2019 unless terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Mr. Zhang Yiyin has entered into an appointment letter with the Company as a non-executive Director for a term of three years commencing from 29 April 2019 and was re-elected as a non-executive Director at the 2019 AGM.

Each of Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng has entered into an appointment letter with the Company on 22 April 2016 for a term of three years commencing from the Listing Date. According to the Articles of Association, Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng retired at the 2019 AGM held on Wednesday, 5 June 2019, and, being eligible, offer themselves for re-election at the 2019 AGM. They were all re-elected as independent non-executive Directors at the 2019 AGM and signed appointment letters with the Company on 5 June 2019 for a term of three years commencing from 19 May 2019.

Mr. Wong Lung Ming has entered into an appointment letter with the Company as an independent non-executive Director for a term of three years commencing from 29 April 2019 and was re-elected as an independent non-executive Director at the 2019 AGM.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the Reporting Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Save for those disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, subsisted at any time during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed that none of the Directors has any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Company was incorporated in the Cayman Islands on 17 July 2014 as an exempted company with limited liability and the Shares were listed on the Main Board of the Stock Exchange on the Listing Date.

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(i) Interests in Shares of the Company

Name of Director	Nature of interest	Number of Shares (Note 4)	Approximate Number of percentage of shareholding (Note 5)
Mr. Dong Jinggui (Notes 1 & 3)	Interest of controlled corporation/ interest of concert parties	2,004,160,943 (L)	66.92%
Ms. Qian Jinghong (Notes 2 & 3)	Interest of controlled corporation/ interest of concert parties	2,004,160,943 (L)	66.92%

Notes:

(1) Mr. Dong Jinggui holds the entire issued share capital of Dai Wei, which in turn owns 1,399,398,084 Shares. By virtue of Part XV of the SFO, Mr. Dong Jinggui is deemed to be interested in the Shares held by Dai Wei.

(2) Ms. Qian Jinghong holds the entire issued share capital of Fang Yuan, which in turn owns 604,762,859 Shares. By virtue of Part XV of the SFO, Ms. Qian Jinghong is deemed to be interested in the Shares held by Fang Yuan.

(3) Pursuant to the concert parties arrangement, Mr. Dong Jinggui and Ms. Qian Jinghong confirmed that they are parties acting in concert in relation to the exercise of their voting rights at the meetings of the Shareholders and the Board. They have also further undertaken that during the period when they remain interested in, directly or indirectly, the Shares, they will continue to act in accordance with the concert parties arrangements. As such, Mr. Dong Jinggui and Ms. Qian Jinghong, together with their respective holding companies (being Dai Wei and Fang Yuan), are all deemed to be interested in the total Shares held by Dai Wei and Fang Yuan.

(4) The letter “L” denotes long position in such securities.

(5) The percentage of shareholding was calculated based on the Company’s total issued Share capital of 2,995,000,000 Shares as at 31 December 2019.

(ii) Interests in associated corporations

Name of Director	Name of associated corporation	Number of issued shares	Approximate Number of percentage of shareholding
Mr. Dong Jinggui	Dai Wai	100	100.00%
Ms. Qian Jinghong	Fang Yuan	100	100.00%

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2019 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisitions of Shares or in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS OF THE SHAREHOLDERS UNDER THE SFO

As at 31 December 2019, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares or securities held (Note 4)	Approximate percentage of issued share capital (Note 5)
Dai Wei (Notes 1 & 3)	Beneficial interest/interest of concert parties	**2,004,160,943 (L)**	**66.92%**
Fang Yuan (Notes 2 & 3)	Beneficial interest/interest of concert parties	**2,004,160,943 (L)**	**66.92%**

Notes:

(1) Mr. Dong Jinggui directly holds the entire share capital of Dai Wei and is deemed to be interested in the Shares held by Dai Wei.

(2) Ms. Qian Jinghong directly holds the entire share capital of Fang Yuan and is deemed to be interested in the Shares held by Fang Yuan.

(3) Pursuant to the concert parties arrangement, Mr. Dong Jinggui and Ms. Qian Jinghong confirmed that they are parties acting in concert in relation to the exercise of their voting rights at the meetings of the Shareholders and the Board. They have also further undertaken that during the period when they remain interested in, directly or indirectly, the Shares, they will continue to act in accordance with the concert parties arrangements. As such, Mr. Dong Jinggui and Ms. Qian Jinghong, together with their respective holding companies (being Dai Wei and Fang Yuan), are all deemed to be interested in the total Shares held by Dai Wei and Fang Yuan.

(4) The letter "L" denotes long position in such securities.

(5) The percentage of shareholding was calculated based on the Company's total issued share capital of 2,995,000,000 Shares as at 31 December 2019.

SHARE OPTION SCHEME

On 22 April 2016, the Shareholder approved and adopted a share option scheme (the "**Share Option Scheme**") conditionally upon the approval by the Stock Exchange of the listing of, and permission to deal in, any Shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme. The Company received such approval from the Stock Exchange on 18 May 2016.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares:

(i) any Directors and employees of any member of the Group; and

(ii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the aggregate of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 300,000,000 Shares (the "**General Scheme Limit**"), which represented 10% of the Shares in issue as at the date of this annual report. The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "**Individual Limit**"). Any further grant of share options in excess of either the General Scheme Limit or the Individual Limit is subject to Shareholders' approval in a general meeting of the Company.

Share options granted to a Director, chief executive of the Company or substantial Shareholder, or to any of their associates, are subject to approval by the independent non-executive Directors. In addition, any share options granted to a substantial Shareholder or an independent non-executive Director, or to any of their associates, representing in aggregate over 0.1% of the Shares in issue at any time or with an aggregate value (based on the closing price of the Shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in a general meeting.

An option may be accepted by a participant to whom the offer is made within five business days from the date on which the letter containing the offer is delivered to that participant. A nominal consideration of HK$1 is payable upon acceptance of the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than ten years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the global offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

During the year ended 31 December 2019 and up to the date of this annual report, no option has been granted or agreed to be granted under the Share Option Scheme.

Save as disclosed above, during the year ended 31 December 2019 and up to the date of this annual report, the Company and its subsidiaries have not issued or granted any convertible securities, options, warrants or other similar rights. The Company did not issued equity securities in consideration of cash. The Share Option Scheme will remain in force for a period of 10 years commencing from 22 April 2016.

SHARE AWARD SCHEME

(i) First Share Award Scheme

On 26 December 2018 (the "**Adoption Date**"), the Company adopted the share award scheme (the "**First Share Award Scheme**").

The purposes and objectives of the First Share Award Scheme are to recognise the contributions by certain participants and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Board may from time to time, subject always to the rules of the First Share Award Scheme, at its absolute discretion, select any employee, director, consultant, settlor, subsidiary or associate (excluding those are restricted by laws and regulation) for participation in the First Share Award Scheme and impose any conditions as it deems appropriate with respect to the entitlement of those selected participants to the awarded shares (the "**Selected Participants**"). On the same date, a trust was established under a trust deed entered into by the Company to administer the First Share Award Scheme, and for the purchase or subscription of the Shares, based on financial support given by the Group. Any Shares subsequently awarded by the Company to the Selected Participants will be settled with the Shares held by the trust on behalf of the Company. The Directors have determined that the Company controls the trust through the trust deed and therefore consolidates the trust.

Unless early terminated by the Board, the First Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

The Directors shall not make any award of Shares which will result in the total number of the Shares awarded by the Board under the First Share Award Scheme exceeding 10% of the total number of issued Shares as at the Adoption Date. The maximum number of Shares which may be allocated and awarded to a Selected Participant under the First Share Award Scheme shall not exceed 1% of the total number of issued Shares as at the date of such award. The maximum number of Shares which may be allocated and awarded to a Selected Participant who is an independent non-executive Director shall not exceed 0.1% of the total number of issued Shares at the date of such award and the aggregate value of which shall not exceed HKD5,000,000 (based on the closing price of the Shares on the business day immediately preceding the date of award).

During the year ended 31 December 2019, the Company contributed RMB99,135,000 for financing purchases of 47,600,000 Shares, which are currently held under the First Share Award Scheme. No share awards have been granted to any Selected Participants since the Adoption Date.

For further details on the First Share Award Scheme, please refer to the announcement of the Company dated 27 December 2018 and note 30 of the consolidated financial statements of this annual report.

(ii) Second and Third Share Award Schemes

On 6 June 2019 (the "**Adoption Date**"), the Company adopted the share award schemes (the "**Second and Third Share Award Schemes**").

The purposes of the Second and Third Share Award Schemes are to (i) complement the First Share Award Scheme of the Company adopted on 26 December 2018; (ii) provide incentives for the participants to continuously make substantial contributions for the long-term growth of the Group in the future; (iii) further align the interests of the selected participants directly to the Shareholders through ownership of shares; (iv) attract and retain talented participants who may be beneficial to the growth and development of the Group; and (v) encourage or facilitate the holding of Shares by the participants.

The Company shall not make any further grant of award under the Second and Third Share Award Scheme which will result in the number of Shares granted under the respective share award schemes exceeding ten per cent of the total number of issued Shares from time to time.

For further details on the Second and Third Share Award Schemes, please refer to the announcement of the Company dated 6 June 2019.

(iii) Fourth Share Award Scheme

On 23 July 2019 (the "**Adoption Date**"), the Company adopted the share award scheme (the "**Fourth Share Award Scheme**").

The purposes and objectives of the Fourth Share Award Scheme are to recognise the contributions by certain participants and to give incentive to them in order to retain them for the continual operation and development of the Group, to attract suitable personnel for further development of the Group and to provide certain participants with a direct economic interest in attaining a long-term relationship between the Group and certain participants.

Pursuant to the rules of the Fourth Share Award Scheme, the Board may, from time to time, at its absolute discretion select any employee and non-executive director of the Company and/or any member of the Group (excluding any employee and non-executive director of any member of the Group who has tendered his/her resignation who has been given a notice of dismissal by the Company and/or the relevant member of the Group) for participation in the Fourth Share Award Scheme ("**Selected Employee(s)**") and determine the number of Shares to be awarded. The Board shall, after having regard to all relevant circumstances and affairs of the Group including without limitation the business and financial performance of the Group, determine the maximum amount of funds to be allocated by the Board out of the Company's resources for the purchase or subscription of the awarded Shares, as the Board deems appropriate, pursuant to the Fourth Share Award Scheme.

Unless early terminated by the Board, the Fourth Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

The Board shall not make any further grant of award of Shares which will result in the total number of Shares awarded by the Board under the Fourth Share Award Scheme exceeding 5% of the issued share capital of the Company as at the Adoption Date. The maximum aggregate number of the Shares which may be awarded to a Selected Employee under the Fourth Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

For further details on the Fourth Share Award Scheme, please refer to the announcement of the Company dated 23 July 2019.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

EMOLUMENT POLICY

The emolument policy of the general staff of the Company is set up by the management of the Group on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management of the Company are proposed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, subject to the final decision by the Board.

The remuneration of the Directors and five highest paid individuals of the Company are set out in note 10 to the consolidated financial statements. For the remuneration of senior management of the Company, please refer to the section headed "Remuneration Committee" above.

To the knowledge of the Company, as at the date of this annual report, none of the Directors had waived or agreed to waive any arrangement for emolument.

Pursuant to the applicable PRC laws and regulations, the Group participates to contribute to various security insurance including social insurance and having provident fund.

No forfeited contributions are available to reduce the contribution payable by the Group in the future years.

PERMITTED INDEMNITY PROVISION

Pursuant to article 191 of the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise.

MAJOR CUSTOMERS AND SUPPLIERS

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year under review, and sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year, no major customer segment information is presented in accordance with HKFRS 8 Operating Segments.

The aggregate purchase attributable to the Group's five largest suppliers accounted for approximately 32.8% and the largest supplier accounted for approximately 11.7% of the Group's total purchases for the year ended 31 December 2019.

At no time during the year ended 31 December 2019 have the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2019 and up to the date of this annual report, the Company has maintained the prescribed public float as required by the Listing Rules.

AUDITOR

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu, who will retire at the forthcoming 2020 AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming 2020 AGM to reappoint Deloitte Touche Tohmatsu as the external auditor.

There is no change of external auditor for this year and up to the date of this annual report.

On behalf of the Board
Dong Jinggui
Chairman

27 March 2020

Deloitte. 德勤

TO THE SHAREHOLDERS OF YADEA GROUP HOLDINGS LTD.
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Yadea Group Holdings Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 66 to 126, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfiled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Capitalisation of prepaid decoration expenses	
We identified capitalisation of prepaid decoration expenses as a key audit matter due to the high level of management judgement involved when deciding the capitalisation of the prepaid decoration expenses. Management judgement was involved in the assessment of whether to capitalise the prepaid decoration expenses, and the related subsequent amortisation period, and management is required to review the performance of each distributor to determine the likelihood of future economic benefits for the capitalisation of the decoration expenses. Details of the critical management judgement and prepaid decoration expenses are disclosed in notes 4 and 20, respectively, to the consolidated financial statements.	Our procedures in relation to capitalisation of prepaid decoration expenses included: • Testing the internal controls relevant to our audit on the capitalisation of the prepaid decoration expenses; • Tracing to the agreements with distributors for the prepaid decoration expenses capitalised on a sample basis; • Performing sample checking to agree the decoration expenditure incurred with original supporting document; • Obtaining the sales budget provided by the distributors to the management and challenging the basis of preparation with reference to the past trading history with those distributors; and • Comparing the amortisation period with the agreed terms in the agreements with distributors.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged With Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is LUNG, Wing Hung, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5(a)	**11,968,238**	9,916,652
Cost of sales	8(a)	**(9,890,100)**	(8,297,067)
Gross profit		**2,078,138**	1,619,585
Other income and gains, net	5(c)	**187,405**	164,415
Selling and distribution expenses		**(769,506)**	(581,800)
Administrative expenses		**(504,327)**	(417,199)
Research and development costs		**(386,137)**	(305,448)
Finance costs	7	**(2,216)**	(809)
Profit before tax	8	**603,357**	478,744
Income tax expense	9	**(83,087)**	(46,427)
Profit for the year		**520,270**	432,317
Profit for the year attributable to:			
Owners of the Company		**516,411**	431,036
Non-controlling interests		**3,859**	1,281
		520,270	432,317
Earnings per share			
Basic (cents per share)	12	**17.5**	14.4
Diluted (cents per share)	12	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Profit for the year	**520,270**	432,317
Other comprehensive income/(expense), net of income tax		
Items that will not be reclassified to profit or loss:		
Fair value gain/(loss) on an investment in equity instruments at fair value through other comprehensive income	**3,426**	(2,468)
Exchange differences on translation from functional currency to presentation currency	**80,897**	144,460
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(67,845)**	(116,622)
Other comprehensive income for the year, net of income tax	**16,478**	25,370
Total comprehensive income for the year	**536,748**	457,687
Total comprehensive income attributable to:		
Owners of the Company	**532,889**	456,406
Non-controlling interests	**3,859**	1,281
	536,748	457,687

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	31/12/2019 RMB'000	31/12/2018 RMB'000
Non-current Assets			
Property, plant and equipment	13	**1,242,263**	1,163,301
Right-of-use assets	14	**326,347**	–
Prepaid lease payments	15	**–**	286,167
Intangible assets	16	**17,619**	14,862
Equity instrument at fair value through other comprehensive income	17	**18,731**	15,305
Prepayments and other receivables	20	**122,728**	82,166
Prepayment for acquisition of property, plant and equipment	20	**155,119**	65,939
Deferred tax assets	29	**17,522**	6,846
		1,900,329	1,634,586
Current Assets			
Inventories	18	**638,935**	259,492
Trade receivables	19	**181,874**	278,079
Prepayments, deposits and other receivables	20	**394,191**	579,599
Wealth management products and structured deposits	21	**3,582,866**	1,967,487
Debt instruments at fair value through other comprehensive income	22	**167,318**	79,024
Pledged bank deposits	23	**1,244,267**	987,530
Bank balances and cash	24	**2,636,553**	1,973,390
		8,846,004	6,124,601
Current Liabilities			
Trade and bills payables	25	**6,858,431**	4,580,418
Other payables and accruals	26	**474,233**	290,242
Contract liabilities	27	**147,266**	48,600
Lease liabilities	28	**10,998**	–
Tax liabilities		**76,133**	20,209
		7,567,061	4,939,469
Net Current Assets		**1,278,943**	1,185,132
Total Assets less Current Liabilities		**3,179,272**	2,819,718
Non-current Liabilities			
Lease liabilities	28	**35,442**	–
		3,143,830	2,819,718
Capital and Reserve			
Share capital	30	**187**	188
Share premium and reserves		**3,132,199**	2,811,945
Equity attributable to owners of the Company		**3,132,386**	2,812,133
Non-controlling interests		**11,444**	7,585
Total Equity		**3,143,830**	2,819,718

The consolidated financial statements on page 66 to 126 were approved and authorised for issue by the board of directors on 24 April 2020.

DIRECTOR
Jinggui Dong

DIRECTOR
Jinghong Qian

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FFor the year ended 31 December 2019

	Attributable to owners of the Company											
	Share capital RMB'000	Merger reserve RMB'000	Share Premium account RMB'000	Statutory reserve (i) RMB'000	Revelation reserve RMB'000	Treasury shares RMB'000	Translation reserve RMB'000	Share award reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2017	188	(121,024)	860,207	129,552	–	–	4,926	75,574	1,521,377	2,470,800	6,304	2,477,104
Adjustments (ii)	–	–	–	–	3,705	–	–	–	–	3,705	–	3,705
At 1 January 2018	188	(121,024)	860,207	129,552	3,705	–	4,926	75,574	1,521,377	2,474,505	6,304	2,480,809
Profit for the year	–	–	–	–	–	–	–	–	431,036	431,036	1,281	432,317
Other comprehensive (expense)/income for the year, net of income tax	–	–	–	–	(2,468)	–	27,838	–	–	25,370	–	25,370
Total comprehensive (expenses)/income for the year	–	–	–	–	(2,468)	–	27,838	–	431,036	456,406	1,281	457,687
Dividends	–	–	(101,171)	–	–	–	–	–	–	(101,171)	–	(101,171)
Transfer to statutory reserve	–	–	–	33,645	–	–	–	–	(33,645)	–	–	–
Purchase of shares for share award scheme	–	–	–	–	–	(17,607)	–	–	–	(17,607)	–	(17,607)
As at 31 December 2018	188	(121,024)	759,036	163,197	1,237	(17,607)	32,764	75,574	1,918,768	2,812,133	7,585	2,819,718
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**516,411**	**516,411**	**3,859**	**520,270**
Other comprehensive income for the year, net of income tax	**–**	**–**	**–**	**–**	**3,426**	**–**	**13,052**	**–**	**–**	**16,478**	**–**	**16,478**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**3,426**	**–**	**13,052**	**–**	**516,411**	**532,889**	**3,859**	**536,748**
Dividends	**–**	**–**	**(105,672)**	**–**	**–**	**–**	**–**	**–**	**–**	**(105,672)**	**–**	**(105,672)**
Transfer to statutory reserve	**–**	**–**	**–**	**14,097**	**–**	**–**	**–**	**–**	**(14,097)**	**–**	**–**	**–**
Purchase of shares for share award scheme	**–**	**–**	**–**	**–**	**–**	**(99,135)**	**–**	**–**	**–**	**(99,135)**	**–**	**(99,135)**
Repurchase and cancellation of ordinary shares	**(1)**	**–**	**(7,828)**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,829)**	**–**	**(7,829)**
Forfeiture of share award (iii)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(36,887)**	**36,887**	**–**	**–**	**–**
As at 31 December 2019	**187**	**(121,024)**	**645,536**	**177,294**	**4,663**	**(116,742)**	**45,816**	**38,687**	**2,457,969**	**3,132,386**	**11,444**	**3,143,830**

(i) In accordance with the People Republic of China (the "PRC") regulations and the articles of association of the companies of the Group, before distributing the net profit of each year, companies of the Group registered in the PRC are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory reserve. When the balance of this reserve reaches 50% of each company's registered capital, any further appropriation is optional. The statutory reserve is non-distributable except in the event of liquidation. Subject to certain restrictions set out in the relevant PRC regulations, part of the statutory reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) Upon application of HKFRS 9, the Group elected to present in OCI for the fair value changes of all its equity investment previously classified as available-for-sale. This investment is not held for trading and not expected to be sold in the foreseeable future. The fair value gain of RMB3,705,000 relating to this unquoted equity investment previously carried at cost less impairment were adjusted to FVTOCI reserve as at 1 January 2018.

(iii) In May 2019, two of the company's employee left the Company and has forfeited the share award previously granted to them.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**603,357**	478,744
Adjustments for:			
Finance costs	7	**2,216**	809
Bank interest income	5(c)	**(28,507)**	(30,854)
Gain on disposal of property, plant and equipment, net	5(c)	**(743)**	(226)
Depreciation of property, plant and equipment	8(c)	**87,682**	79,585
Depreciation of right of use assets	8(c)	**18,018**	–
Amortisation of prepaid decoration expenses	20	**63,317**	58,582
Amortisation of prepaid lease payments	8(c)	**–**	7,225
Amortisation of intangible assets	8(c)	**7,000**	6,078
Gains on financial assets at fair value through profit or loss	5(c)	**(112,140)**	(108,572)
Operating cash flows before movement in working capital		**640,200**	491,371
(Increase)/decrease in inventories		**(379,443)**	78,651
Decrease/(increase) in trade receivables		**96,205**	(225,042)
Decrease/(increase) in prepayments, deposits and other receivables		**238,859**	(223,997)
Increase in debt instruments at fair value through other comprehensive income		**(88,294)**	(74,675)
Increase in pledged bank deposits		**(256,737)**	(97,993)
Increase in trade and bills payables		**2,278,013**	547,753
Increase in other payables and accruals		**218,351**	56,955
Increase/(decrease) in contract liabilities		**98,666**	(172,487)
Cash generated from operations		**2,845,820**	380,536
Income tax paid		**(27,163)**	(60,925)
NET CASH FROM OPERATING ACTIVITIES		**2,818,657**	319,611

	Notes	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
INVESTING ACTIVITIES			
Interest received from bank deposits		**28,507**	30,854
Purchases of property, plant and equipment		**(362,525)**	(237,064)
Decoration expenses prepaid		**(95,347)**	(52,489)
Proceeds from disposal of property, plant and equipment		**7,147**	10,674
Lease payments prepaid		**–**	(7,800)
Purchase of intangible assets		**(11,881)**	(3,940)
Redemption of wealth management products and structured deposits		**39,687,324**	29,504,175
Purchase of wealth management products and structured deposits		**(41,364,686)**	(28,771,268)
Interest received from wealth management products and structured deposits		**123,601**	108,572
Loan repayment from a third party		**–**	169,649
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(1,987,860)**	751,363
FINANCING ACTIVITIES			
Repayment of bank loans		**–**	(63,429)
New bank loan raised		**–**	63,429
Interest paid		**–**	(809)
Dividends paid	11	**(105,672)**	(101,171)
Repurchase of shares		**(106,964)**	(17,607)
Repayments of lease liabilities		**(13,974)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(226,610)**	(119,587)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**604,187**	951,387
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,973,390**	988,272
Effect of foreign exchange rate changes		**58,976**	33,731
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**2,636,553**	1,973,390
Represented by			
Bank balances and cash	24	**2,636,553**	1,973,390

1. GENERAL

Yadea Group Holdings Ltd. (the "Company") is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principle place of business of the Company is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with effect from 19 May 2016.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the development, manufacture and sale of electric vehicles and related accessories in the People's Republic of China (the "PRC").

In the opinion of the directors of the Company (the "Directors"), the ultimate holding companies of the Company are Dai Wei Investment Company Limited and Fang Yuan Investment Company Limited, which are incorporated in the British Virgin Islands, and the ultimate controlling shareholders of the Company are Mr. Jinggui Dong and Ms. Jinghong Qian (the "Controlling Shareholders").

The functional currency of the Company is Hong Kong dollar ("HKD") which is the currency of the primary environment in which the Company operates. The functional currency of the Group entities located in the PRC is Renminbi ("RMB") in which most of the transactions are denominated. The consolidated financial statements are presented in RMB.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year (Continued)

Except as described below, the application of the new and amendments to HKFRSs in the current year has 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.

HKFRS 16 Leases

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

Definition of a lease

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

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

As a lessee

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

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

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

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

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

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of machinery and equipment in the PRC was determined on a portfolio basis; and

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.00%

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	53,233
Lease liabilities discounted at relevant incremental borrowing rates	46,494
Add: Lease liabilities resulting from lease modifications of existing leases	3,044
Less: Recognition exemption – short-term leases	981
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	48,557
Analysed as	
Current	8,535
Non-current	40,022
	48,557

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

	Note	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		48,557
Reclassified from prepaid lease payments	a	286,167
		334,724

a. Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the prepaid lease payments amounting to RMB286,167,000 were reclassified to right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

The transition to HKFRS 16 does not have any impact on retained profits at 1 January 2019.

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

	Note	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS16 at 1 January 2019 RMB'000
Non-current Assets				
Right-of-use assets		–	334,724	**334,724**
Prepaid land lease payments	a	286,167	(286,167)	**–**
Current Liabilities				
Lease liabilities		–	(8,535)	**(8,535)**
Non-current Liabilities				
Lease liabilities		–	(40,022)	**(40,022)**

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New or revised standards and interpretations that have been issued but not yet effective

HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

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

The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Revenue from Contracts with Customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from Contracts with Customers (Continued)

Variable Consideration

For contracts that contain variable consideration (to specify), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

As the Group conducts the principle operation of development, manufacture and sale of product through the subsidiaries in the PRC. For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

The Group conducts the principle operation of development, manufacture and sale of product through the subsidiaries in the PRC. For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rate for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Benefit Costs

Payments to state-managed defined contribution retirement benefits plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-Term Employee Benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, Plant and Equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method as follows:

Leasehold land and buildings	2.17% to 4.75%
Plant and machinery	9.50% to 19.00%
Motor vehicle	9.50% to 23.75%
Office equipment	19.00% to 31.67%
Other equipment	9.50% to 31.67%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment (Continued)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Software	9.50% to 31.67%
Patents	31.67%

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Prepaid decoration expenses

Prepaid decoration expenses are non-cash incentives in the form of decoration materials provided to the distributors. Prepaid decoration expenses are initially stated in the consolidated statement of financial position at cost less accumulated amortisation and any accumulated impairment losses.

Prepaid decoration expenses	33.3%

The estimated amortisation period and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis and assessed for impairment whenever there is an indication that the prepaid decoration expenses may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on Property, plant and equipment, Right-of-use Assets and Prepaid Decoration Expenses Other Than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets and prepaid decoration expenses with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, intangible assets and prepaid decoration expenses are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash – generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade day basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial Assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Debt instruments at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gains" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other income and gains, net" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, certain wealth management products and structured deposits, debt instrument at FVTOCI, pledged bank deposits, and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on past due status.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiassed and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for debt instrument that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments with the corresponding adjustment recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial Liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables and accruals, and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying Accounting Policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Recognition of Prepaid Decoration Expenses

Non-cash incentives in the form of decoration materials are provided to the distributors initially capitalised as prepaid decoration expenses, and are subsequently amortised over the applicable periods. Significant management judgement is required to review the operating performance of distributors to determine the likelihood of future economic benefits for the capitalisation of the decoration expenses. Where the future economic benefits of the capitalised decoration expenses are different from the original assessment, the differences will impact on the capitalisation of prepaid decoration expenses in the periods in which the differences arise.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred Tax Assets

As at 31 December 2019, a deferred tax asset of RMB17,522,000 (2018: RMB6,846,000) has been recognised in the Group's consolidated statement of financial position. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place. Further details of deferred tax assets are disclosed in Note 29.

Fair value of Wealth Management Products and structured deposits

Certain wealth management products and structured deposits are financial assets at FVTPL and have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, duration and discount rates, and hence they are subject to uncertainty. The net carrying value of wealth management products and structured deposits at FVTPL at 31 December 2019 was RMB3,432,866,000 (2018: RMB1,090,557,000).

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Disaggregation of revenue from contract with customers

	2019 RMB'000	2018 RMB'000
Types of goods		
Electric scooters	**6,393,253**	5,083,846
Electric bicycles	**2,837,816**	2,514,486
Batteries and chargers	**2,623,746**	2,195,189
Electric two-wheeled vehicle parts	**113,423**	123,131
	11,968,238	9,916,652
Timing of revenue recognition		
At point in time	**11,968,238**	9,916,652

(b) Performance obligations for contracts with customers

The Group sells electronic vehicles to the distributors. For all sales of electronic vehicles, revenue is recognised when control of the goods has transferred, being when the goods have been packed for shipment and out of the Group's warehouse (delivery).

Following delivery, the distributors 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.

Full payment is typically required from distributiors of the Group before delivery of goods, except for some distributors with credit period. The credit terms generally vary from 15 days to 180 days from the date of billing.

Under the Group's standard contract terms with both distributors and suppliers, distributors are not allowed to exchange or return the goods delivered and suppliers are responsible for all replacement and repairment of damaged products that are with warranty. When the customers initially prepay for the goods, the transaction price received by the Group is recognised as a contract liability until the goods have been packed for shipment and out of the Group's warehouse.

All of the sales and services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

(c) Other income and gains, net

	2019 RMB'000	2018 RMB'000
Other income		
Government grants	**40,387**	12,914
Bank interest income	**28,507**	30,854
Others	**5,164**	5,957
	74,058	49,725
Other gains		
Gains on financial assets at FVTPL	**112,140**	108,572
Foreign exchange gains	**464**	5,892
Net gain on disposal of property, plant and equipment	**743**	226
	187,405	164,415

6. OPERATING SEGMENT

For management purposes, the Group is not organised into business units based on their products and services, the Group has only one reportable operating segment which is engaged in the development, manufacture and sale of electric vehicles and related accessories. Accordingly, no segment information is presented.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

Since over 90% of the Group's revenue and operating profit were generated from the sale of electric vehicles in PRC and over 90% of the Group's non-current assets and liabilities were located in PRC, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Since no revenue from sale to a single customer amounted to 10% or more of the Group's revenue for the reporting period, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

7. FINANCE COSTS

	For the year ended 2019 RMB'000	2018 RMB'000
Interest on bank loans	**–**	809
Interest of lease liabilities	**2,216**	–
	2,216	809

8. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging:

		For the year ended 2019 RMB'000	2018 RMB'000
(a)	**Cost of sales:**		
	Cost of inventories sold	**9,890,100**	8,297,067
(b)	**Employee benefit expenses (including Directors' and chief executive's remuneration):**		
	Wages and salaries	**481,178**	375,932
	Pension scheme contributions (defined contribution scheme), social welfare and other welfare	**73,533**	57,541
		554,711	433,473
(c)	**Other items:**		
	Depreciation of property, plant and equipment	**87,681**	79,585
	Depreciation of right-of-use assets	**18,018**	–
	Amortisation of prepaid lease payments	**–**	7,225
	Amortisation of intangible assets	**7,000**	6,078
	Auditor's remuneration	**3,050**	2,700
	Research and development costs (Note)	**386,137**	305,448
	Operating lease expenses	**1,495**	12,491

Note: Research and development costs included wages and salaries amounting to RMB76,418,000 for the year ended 31 December 2019 (2018: RMB38,424,000), which are also included in employee benefit expenses as disclosed in note 8(b) above.

9. INCOME TAX EXPENSE

	For the year ended 2019 RMB'000	2018 RMB'000
Current PRC Enterprise Income Tax	**98,815**	41,620
Over provision in prior years	**(5,052)**	(3,622)
Deferred tax (Note 29)	**(10,676)**	8,429
Total tax charge for the year	**83,087**	46,427

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

9. INCOME TAX EXPENSE (Continued)

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the law of the PRC on Enterprise Income Tax (the "EIT law") and Implementation Regulation of the EIT law, the EIT rate of the Group's subsidiaries established in the PRC is 25%, for both years except:

- In 2016, Tianjin Yadea Industry Co., Ltd has applied the extention of the high-tech certificate original obtained in December 2013, the high-tech certificate has been extended to December 2019. The income tax rate for the year ended 31 December 2019 is 15% (2018: 15%).
- Zhejiang Yadea Motorcycle Co., Ltd. has applied the extention of the high-tech certificate original obtained in November 2016, the high-tech certificate has been extended to November 2021. The income tax rate for the year ended 31 December 2019 is 15% (2018: 15%).
- Guangdong Yadea Motorcycle Co., Ltd. has been recognised as a high-tech enterprise in December 2017 and entitles to a preferential income tax rate of 15% from 1st January 2017 to 31st December 2019. The income tax rate for the year ended 31 December 2019 is 15% (2018: 15%).
- Yadea Technology Group Co., Ltd. has been recognised as a high-tech enterprise in December 2017 and entitles to a preferential income tax rate of 15% from 1st January 2017 to 31st December 2019. The income tax rate for the year ended 31 December 2019 is 15% (2018: 15%).

Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	For the year ended	
	2019	2018
	RMB'000	RMB'000
Profit before tax	**603,357**	478,744
Tax at the statutory tax rate (25%)	**150,839**	119,686
Tax effect of preferential tax rate	**(45,584)**	(43,996)
Tax credit for qualified research and development expenses	**(26,956)**	(34,356)
Tax effect of expenses not deductible for tax purpose	**1,142**	1,729
Over provision in prior years	**(5,052)**	(3,622)
Tax effect of tax losses not recognised	**16,440**	11,346
Utilisation of tax losses previously not recognised	**(7,742)**	(4,360)
Income tax expense for the year	**83,087**	46,427

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the Directors for the year, disclosed pursuant to the applicable Listings Rules and Hong Kong Companies Ordinance, are as follows:

	For the year ended 31 December 2019			
	Fees RMB'000	Salaries and other allowance RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive director:				
Ms. Jinghong Qian	–	786	90	876
Mr. Yeming Liu (i)	–	380	50	430
Mr. Jinggui Dong	–	2,815	85	2,900
Mr. Rui Shi	–	748	22	770
Mr. Yu Shen	–	520	18	538
Independent non-executive directors:				
Mr. Biguang Wu	269	–	–	269
Mr. Zongwei Li	269	–	–	269
Mr. Naishen Yao	269	–	–	269
Mr. Wong Lung Ming (ii)	179	–	–	179
Non-executive directors:				
Mr. Yi Yin Zhang (ii)	179	–	–	179
	1,165	5,249	265	6,679

	For the year ended 31 December 2018			
	Fees RMB'000	Salaries and other allowance RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive director:				
Mr. Yeming Liu	–	1,999	94	2,093
Mr. Jinggui Dong	–	622	99	721
Ms. Jinghong Qian	–	622	99	721
Mr. Rui Shi	–	548	18	566
Mr. Yu Shen	–	400	18	418
Independent non-executive directors:				
Mr. Biguang Wu	263	–	–	263
Mr. Zongwei Li	263	–	–	263
Mr. Naishen Yao	263	–	–	263
	789	4,191	328	5,308

(i) Mr. Yeming Liu resigned from his position as an executive Director, the Chief Executive Officer and Authorised Representative with effect from 14 May 2019.

(ii) Mr. Wong, Lung Ming and Mr. Yi Yin Zhang were appointed as independent non-executive director and non-executive director of the Company respectively with effect from 29 April 2019.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

Bonus is determined by reference to the market, individual performance and their respective contribution to the Group.

The executive directors' emoluments shown above were for their services in connection with the management of affairs of the Company and the Group. The non-executive directors and independent non-executive directors' emoluments shown above were for their services as the Directors.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year. There was no compensation for the loss of office as a director in connection with the management of the affairs of any member of the group.

The Group has been providing accommodation, which is leased from a third party, to Mr. Jinggui Dong for his private use at no charge. The rental value of this benefit in kind is approximately RMB2,028,000 (2018: RMB1,931,000).

Employees

The five highest paid employees at the Group during the year include no director (2018: one, details of whose remuneration are included in the disclosure above). Details of the remuneration for the year of the top five (2018: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	For the year ended	
	2019	2018
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**7,842**	6,295
Pension scheme contributions and social welfare	**117**	34
	7,959	6,329

The number of the highest paid employees who are not Directors whose remuneration fell within the following band is as follows:

	For the year ended	
	2019	2018
HKD 1,000,001 to HKD 1,500,000	**2**	–
HKD 1,500,001 to HKD 2,000,000	**2**	3
HKD 2,000,001 to HKD 3,000,000	**1**	1
	5	4

11. DIVIDENDS

	For the year ended 2019 RMB'000	2018 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2018 final – 4.0 HK cents (2018: 2017 final dividend 4.0 HK cents) per ordinary share	**105,672**	101,171

Subsequent to the end of the reporting period, no final dividend was proposed in respect of the year ended 31 December 2019 for ordinary shareholders of the Group (2018: HKD119,729,000, equivalent to RMB105,672,000).

12. EARNINGS PER SHARE

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

	For the year ended 2019 RMB'000	2018 RMB'000
Earnings figures are calculated as follows:		
Profit of the year attributable to owners of the Company	**516,411**	431,036

	For the year ended 2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,955,469,090**	2,999,981,425

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted taking into account the shares repurchased for the year ended 31 December 2019 and 2018.

No diluted earnings per share for both 2019 and 2018 were presented as there were no potential ordinary shares in issue for both 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2018	1,092,601	147,117	43,406	57,303	33,889	29,119	1,403,435
Additions	2,057	9,166	1,904	4,127	3,410	205,107	225,771
Disposals	(917)	(32,655)	(6,437)	(19,035)	(681)	–	(59,725)
Reclassification	7,991	14,141	–	–	1,064	(23,196)	–
Transfer to intangible assets	–	–	–	–	–	(1,063)	(1,063)
Transfer to prepaid decoration expenses	–	–	–	–	–	(52,489)	(52,489)
At 31 December 2018	1,101,732	137,769	38,873	42,395	37,682	157,478	1,515,929
Additions	6,960	3,926	4,037	6,281	5,179	225,146	251,529
Disposals	(159)	(10,596)	(614)	(1,175)	(3,056)	–	(15,600)
Reclassification	6,562	6,174	–	–	–	(12,736)	–
Transfer to intangible assets	–	–	–	–	–	(9,904)	(9,904)
Transfer to prepaid decoration expenses	–	–	–	–	–	(68,578)	(68,578)
At 31 December 2019	**1,115,095**	**137,273**	**42,296**	**47,501**	**39,805**	**291,406**	**1,673,376**
Depreciation							
At 1 January 2018	(176,562)	(50,730)	(36,830)	(40,424)	(17,774)	–	(322,320)
Provided for the year	(49,589)	(13,208)	(4,232)	(5,191)	(7,365)	–	(79,585)
Eliminated on disposals	218	25,346	5,064	18,016	633	–	49,277
At 31 December 2018	(225,933)	(38,592)	(35,998)	(27,599)	(24,506)	–	(352,628)
Provided for the year	(61,080)	(12,862)	(1,924)	(5,603)	(6,212)	–	(87,681)
Eliminated on disposals	21	6,761	585	688	1,141	–	9,196
At 31 December 2019	**(286,992)**	**(44,693)**	**(37,337)**	**(32,514)**	**(29,577)**	**–**	**(431,113)**
Carrying amount							
At 31 December 2019	**828,103**	**92,580**	**4,959**	**14,987**	**10,228**	**291,406**	**1,242,263**
At 31 December 2018	875,799	99,177	2,875	14,796	13,176	157,478	1,163,301

As at 31 December 2019, the application for the property ownership certificates for certain buildings with an aggregate net book value of approximately RMB10,684,000 (2018: RMB242,600,000) was still in process. In the opinion of the Directors, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

As at 31 December 2019, certain of the Group's buildings and construction in progress with an aggregate net carrying amount of RMB368,447,000 (2018: RMB334,650,000) were pledged to secure the Group's bills payable.

14. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased property RMB'000	Total RMB'000
At 1 January 2019 Carrying amount	**286,167**	**48,557**	**334,724**
As at 31 December 2019 Carrying amount	**279,503**	**46,844**	**326,347**
For the year ended 31 December 2019 Depreciation charge	**7,454**	**10,564**	**18,018**
Expense relating to short-term leases			1,473
Expense relating to leases of low-value assets			22
Total cash outflow for leases			15,469
Additions to right-of-use assets			9,641

For both years, the Group leases various warehouses for its operations. Lease contracts are entered into for fixed term of 3 months to 20 years, and some of the lease contracts contain extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group has obtained the land use right certificates for all leasehold lands.

The Group regularly entered into short-term leases for properties. As at 31 December 2019, the short-term leases is similar to the short-term leases to which the lease expense disclosed above.

As at 31 December 2019, certain of the Group's leasehold land interest with an aggregate net bank value of approximately RMB98,521,000 was pledged to secure the Group's bills payable.

15. PREPAID LEASE PAYMENTS

	31/12/2018 RMB'000
Carrying amount at beginning of the year	285,592
Additions	7,800
Amortisation provided during the year	(7,225)
Carrying amount at end of the year	286,167

The carrying amount of the Group's prepaid lease payments represents land use rights situated in Mainland China.

As at 31 December 2018, certain of the Group's prepaid lease payments with an aggregate net book value of approximately RMB95,239,000 was pledged to secure the Group's bills payable.

16. INTANGIBLE ASSETS

	Software RMB'000	**Patents** RMB'000	**Total** RMB'000
Cost			
At 1 January 2018	28,755	2,000	30,755
Additions	2,877	2,124	5,001
31 December 2018	31,632	4,124	35,756
Additions	11,881		11,881
Disposal	–	(2,124)	(2,124)
At 31 December 2019	**43,513**	**2,000**	**45,513**
Amortisation			
At 1 January 2018	(13,260)	(1,556)	(14,816)
Charge for the year	(5,634)	(444)	(6,078)
31 December 2018	(18,894)	(2,000)	(20,894)
Charge for the year	(7,000)	–	(7,000)
At 31 December 2019	**(25,894)**	**(2,000)**	**(27,894)**
Carrying amount			
At 31 December 2019	**17,619**	**–**	**17,619**
At 31 December 2018	12,738	2,124	14,862

17. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31/12/2019 RMB'000	31/12/2018 RMB'000
Unlisted equity investments	**18,731**	15,305

The above unlisted equity investment represents the Group's equity interest in a private entity established in the United States of America. The Directors have elected to designate this investment in equity instrument as at FVTOCI because this is a strategic investment and the Company considers the measurement at fair value through other comprehensive income to be more relevant.

18. INVENTORIES

	31/12/2019 RMB'000	31/12/2018 RMB'000
Raw materials	**424,727**	123,667
Finished goods	**214,208**	135,825
	638,935	259,492

19. TRADE RECEIVABLES

	31/12/2019 RMB'000	31/12/2018 RMB'000
Trade receivables	**184,180**	280,385
Less: allowance for credit losses	**(2,306)**	(2,306)
	181,874	278,079

The following is an aged analysis of trade receivables net of allowance for credit losses, presented based on the invoice dates:

	31/12/2019 RMB'000	31/12/2018 RMB'000
Within 6 months	**181,874**	278,079

Details of impairment assessment of trade and other are set out in note 36.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31/12/2019 RMB'000	31/12/2018 RMB'000
Non-current assets		
Prepaid decoration expenses (i)	**87,618**	82,166
Receivable from transfer of shares in investment fund	**35,110**	–
Prepayment for acquisition of property, plant and equipment	**155,119**	65,939
Current assets		
Prepayments for advertising	**134,963**	311,476
Prepayments to suppliers	**104,326**	165,562
Prepaid decoration expenses (i)	**64,764**	38,186
Receivable from transfer of shares in investment fund	**26,873**	–
Deposits	**2,663**	9,840
VAT recoverable	**3,093**	7,013
Others	**57,509**	47,522
	394,191	579,599

Movement of prepaid decoration expenses as follows:

	31/12/2019 RMB'000	31/12/2018 RMB'000
Carrying amount at beginning of the year	**120,352**	126,445
Additions	**95,347**	52,489
Amortisation provided during the year	**(63,317)**	(58,582)
Carrying amount at end of the year	**152,382**	120,352

(i) To enhance the customer experience and increase sales, the Group invested in the distributor point of sales by providing decoration materials to the distributors. The cost of material are initially capitalised as prepaid decoration expenses, and are subsequently amortised over the applicable periods in which the sales are related.

21. WEALTH MANAGEMENT PRODUCTS AND STRUCTURED DEPOSITS

	31/12/2019 RMB'000	31/12/2018 RMB'000
Wealth management products and structured deposits, at FVTPL	**3,432,866**	1,090,557
Wealth management products and structured deposits, at amortised cost	**150,000**	876,930
	3,582,866	1,967,487

As at 31 December 2019, certain of the Group's wealth management products and structured deposits with a carrying amount of RMB1,881,000,000 (2018: RMB744,600,000) were pledged as security for the Group's bills payable.

22. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31/12/2019 RMB'000	31/12/2018 RMB'000
Bills receivable	**167,318**	79,024

As at 31 December 2019, the Group had endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables with a carrying amount in aggregate of RMB76,724,000 (2018: RMB40,507,000). All the Derecognised Bills with a maturity of less than one year. In accordance with the Law of Negotiable Instruments of the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement") in payment. In accordance with past experience and the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed bills receivable is low because all endorsed bills rececivable are issued and guaranteed by the reputable PRC banks. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables.

23. PLEDGED BANK DEPOSITS

	31/12/2019 RMB'000	31/12/2018 RMB'000
Deposits pledged with banks for bills payable	**1,244,267**	987,530

Pledged bank deposits represent deposits pledged to banks as security for the Group's bills payable.

24. BANK BALANCES AND CASH

	31/12/2019 RMB'000	31/12/2018 RMB'000
Cash and cash equivalents	**2,636,553**	1,973,390

Bank balances carry interest at market rates of 0.30% to 0.35% (2018: 0.35% to 0.38%) per annum.

25. TRADE AND BILLS PAYABLES

	31/12/2019 RMB'000	31/12/2018 RMB'000
Trade payables	**2,528,916**	1,784,942
Bills payable	**4,329,515**	2,795,476
	6,858,431	4,580,418

25. TRADE AND BILLS PAYABLES (Continued)

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31/12/2019 RMB'000	31/12/2018 RMB'000
Within 3 months	**2,495,696**	1,374,410
3 to 6 months	**9,378**	386,892
6 to 12 months	**2,811**	14,156
12 to 24 months	**18,935**	5,716
Over 24 months	**2,096**	3,768
	2,528,916	1,784,942

As at 31 December 2018, included in the trade and bills payables are trade payables to the Group's related parties of RMB355,000, and bills payables to the Group's related parties of RMB2,614,000.

Trade payables are non-interest-bearing and have an average credit term of 15 to 90 days, except certain warranty retention which is payable in 24 months.

26. OTHER PAYABLES AND ACCRUALS

	31/12/2019 RMB'000	31/12/2018 RMB'000
Deposit from supplier	**147,676**	51,617
Staff payroll and welfare payables	**111,842**	60,040
Sales rebate	**71,375**	–
Other tax payable	**41,734**	93,048
Accrued expenses	**26,893**	–
Payables for purchase of property, plant and equipment	**15,991**	50,350
Tax element of contract liabilities	**19,144**	7,776
Others	**39,578**	27,411
	474,233	290,242

27. CONTRACT LIABILITIES

	31/12/2019 RMB'000	12/31/2018 RMB'000
Sales of electric vehicles	**147,266**	48,600

All of the contract liability balance at the beginning of the year has been recognised as revenue in 2019 (2018: all).

28. LEASE LIABILITIES

	31/12/2019 RMB'000
Lease liabilities payables:	
Within one year	**10,998**
Within a period of more than one year but not more than two years	**7,731**
Within a period of more than two years	**27,711**
	46,440
Less: Amount due for settlement within 12 months shown under current liabilities	**10,998**
Amount due for settlement after 12 months shown under non-current liabilities	**35,442**

29. DEFERRED TAX

The followings are the major deferred tax assets recognised and movements during the current and prior years:

	Tax losses RMB'000	Sales rebate RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	1,624	6,805	6,846	15,275
Charge to profit or loss	(1,624)	(6,805)	–	(8,429)
At 31 December 2018	–	–	6,846	6,846
Credit to profit or loss	–	10,132	544	10,676
As at December 31 2019	**–**	**10,132**	**7,390**	**17,522**

The Group entities had unrecognised tax losses available to offset against future profits as follows:

Year of expiry	31/12/2019 RMB'000	31/12/2018 RMB'000
2021	**7,196**	7,998
2022	**5,107**	17,426
2023	**40,840**	45,384
2024	**65,762**	–
	118,905	70,808

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB2,532,305,000 as at 31 December 2019 (2018: RMB2,014,797,000). In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future after their assessment based on factors which included the dividend policy, the level of working capital required for the Group's operations and the expansion of the Group's operations in Mainland China.

30. SHARE CAPITAL

	Number of shares	Share capital USD'000
Authorised:		
5,000,000,000 ordinary shares of USD0.00001 each	5,000,000,000	50
Issued and fully paid		
At 1 January, 31 December 2018 and 1 January 2019	3,000,000,000	30
Share repurchased and cancelled	(5,000,000)	–
At 31 December 2019	**2,995,000,000**	**30**
Equivalent to RMB'000 31 December 2019		**187**
Equivalent to RMB'000 31 December 2018		188

Pursuant to a resolution passed on 26 December 2018 ("Adoption Date") by the board of directors of the Company, a share award scheme ("Share Award Scheme") was adopted. The board of the Directors may from time to time, subject always to the rules of the Share Award Scheme, at its absolute discretion, select any employee, director, consultant, settlor, subsidiary or associate (excluding those are restricted by laws and regulation) for participation in the Share Award Scheme and impose any conditions as it deems appropriate with respect to the entitlement of those selected participants to the award shares. The purpose of the Share Award Scheme is to recognise the contributions by certain personnel and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. On the same date, a trust was established under a trust deed entered into by the Company to administer the Share Award Scheme, and for the purchase or subscription of the shares of the Company, based on financial support given by the Group. Any shares subsequently awarded by the Company to the qualifying employees will be settled with the shares held by the trust on behalf of the Company. The Directors have determined that the Company controls the trust through the trust deed and therefore consolidates the trust.

Unless early terminated by the board of the Directors, the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date.

The board of the Directors shall not make any award of shares which will result in the total number of the shares awarded by the board of the Directors under the Share Award Scheme exceeding ten percent of the issued share capital of the Company as at the Adoption Date.

The maximum number of shares which may be allocated and awarded to a qualifying participant under the Share Award Scheme shall not exceed one per cent of the total number of issued shares of the Company as at the date of such award.

30. SHARE CAPITAL (Continued)

The maximum number of shares which may be allocated and awarded to a qualifying participant who is an independent non-executive Director shall not exceed 0.1% of the total number of issued shares of the Company at the date of such award and the aggregate value of which shall not exceed HKD5,000,000 (based on the closing price of the shares of the Company on the business day immediately preceding the date of award).

During the year ended 31 December 2018 and 2019, the Company contributed RMB99,135,000 (2018: RMB17,607,000) for repurchases of its own ordinary shares of 47,600,000 (2018: 6,780,000), which are currently held under the Share Award Scheme. No share awards have been granted as of 31 December 2019.

Month of purchase	Number of ordinary shares	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HKD	HKD	HKD'000
December 2018	6,780,000	3.00	2.90	20,095
January 2019	26,674,000	2.91	2.86	77,153
July 2019	20,926,000	1.65	1.58	33,076
				RMB'000
Presented as				
2019				**99,135**
2018				17,607

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000
At 31 December 2018	–
Adjustment upon application of HKFRS 16	48,557
As at 1 January 2019 (restated)	**48,557**
New leases entered	**9,641**
Interest expenses	**2,216**
Financing cash flow	**(13,974)**
At 31 December 2019	**46,440**

32. CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (2018: Nil).

33. PLEDGE OF ASSETS

Details of the Group's assets, which are pledged to secure bills payable of the Group, are included in Notes 13, 14, 15, 21 and 23 respectively, to the consolidated financial statements.

34. COMMITMENTS

(a) Capital Commitments

	31/12/2019 RMB'000	31/12/2018 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statement	**41,525**	53,122

(b) Operating Lease Commitments

The Group as lessee

	31/12/2018 RMB'000
Minimum lease payments paid under operating leases during the year	10,931

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2018 RMB'000
Within one year	9,757
In the second to fifth years inclusive	26,090
Over five years	17,386
	53,233

Operating lease payments represent rentals payable by the Group for storage and office rental. Leases are negotiated for an average term of ten years and rentals are fixed for an average of ten years.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise return to shareholders. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of the total equity of the Group.

The Directors review the capital structure on regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of the Directors, the Group will balance its overall capital structure through payment of dividends and issue of new shares and new debts.

36. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	31/12/2019 RMB'000	31/12/2018 RMB'000
Financial assets		
Wealth management products and structured deposits – mandatorily measured at FVTPL	**3,432,866**	1,090,557
Financial assets at amortised cost	**4,334,849**	4,173,291
Equity instrument at FVTOCI	**18,731**	15,305
Debt instruments at FVTOCI	**167,318**	79,024
	7,953,764	5,358,177
Financial liabilities		
Amortised cost	**7,206,384**	4,709,796

Financial Risk Management Objectives and Policies

The Group's major financial instruments include equity instrument at FVTOCI, trade receivables, deposits and other receivables, wealth management products and structured deposits, debt instruments at FVTOCI, pledged bank deposits, bank balances and cash, trade and bills payables, and other payables and accruals. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

36. FINANCIAL INSTRUMENTS (Continued)

Currency Risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain sales to international market and certain wealth management product that are conducted in USD. Foreign currency risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency other than the entities' functional currency. The Group is exposed to foreign currency risk primarily with respect to USD.

The Group manages its foreign currency risk by performing regular reviews of the Group's net foreign currency exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure.

	Assets	
	31/12/2019 RMB'000	31/12/2018 RMB'000
USD	**247,010**	218,602

	2019 Increase/ (decrease) in profit after tax RMB'000	2018 Increase/ (decrease) in profit after tax RMB'000
RMB – USD		
Appreciation of RMB by 5%	**(10,270)**	(9,089)
Depreciation of RMB by 5%	**10,270**	9,089

Interest Rate Risk

The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances (refer to Notes 23 and 24 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

36. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Risk (Continued)

Total interest income from financial assets that are measured at amortised cost is as follows:

	For the year ended 2019 RMB'000	2018 RMB'000
Other income and gains		
Financial assets at amortised cost	**28,507**	73,727

Interest expense on financial liabilities not measured at FVTPL:

	31/12/2019 RMB'000	31/12/2018 RMB'000
Financial liabilities at amortised cost	**2,216**	809

The management considers the sensitivity analysis of interest income on financial assets and interest expense on financial liabilities not measured at FVTPL are insignificant, thus, no sensitivity analysis are presented.

Other Price Risk

The Group is exposed to price risk through its investments in wealth management products and structured deposits. The prices/fair values and return of these products are linked with interest rates or exchange rates. Management manages this exposure by reviewing the historical interest rates and exchange rates before investing in these products. The management consider the sensitivity on price risk on wealth management products and structured deposits is insignificant.

Credit Risk and Impairment Assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, certain wealth management products and structured deposits, debt instruments at FVTOCI, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

36. FINANCIAL INSTRUMENTS (Continued)

Credit Risk and Impairment Assessment (Continued)

Trade receivables

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on accounts receivables balances on provision matrix, the accounts receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and ageing for the new customers. No impairment is recognised during the year.

Other receivables

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2019 and 2018, the Group assessed the ECL for other receivables and deposits were insignificant and thus no loss allowance was recognised.

Certain wealth management products and structured deposits/pledged bank deposits/bank balances

Credit risk on certain wealth management products and structured deposits/pledged bank deposits/bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for certain wealth management products and structured deposits/pledged bank deposits/bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on certain wealth management products and structured deposits/pledged bank deposits/bank balances is considered to be insignificant.

36. FINANCIAL INSTRUMENTS (Continued)

Credit Risk and Impairment Assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2019	Notes	External credit rating	Internal credit rating	12 m or lifetime ECL	2019 Gross carrying amount	2018 Gross carrying amount
Debt instruments at FVTOCI						
Debt instruments at FVTOCI	22	BBB ~ AA	N/A	12 m ECL	**167,318**	79,024
Financial assets at amortised cost						
Pledged bank deposits	23	BB ~ A	N/A	12 m ECL	**1,244,267**	987,530
Bank balances	24	BB ~ A	N/A	12 m ECL	**2,636,553**	1,973,390
Other receivables	20	N/A	(Note 1 below)	12 m ECL	**122,155**	57,282
Trade receivables	19	N/A	(Note 2 below)	Lifetime ECL (not credit impaired)	**184,180**	280,385
Wealth management products and structured deposits at amortised cost	21	BB ~ A	N/A	12 m ECL	**150,000**	876,930

The management considers the impairment movements of trade receivables and other receivables are insignificant, thus, no impairment movements of trade receivables and other receivables are presented.

Notes:

1. For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	2019 Not past due/ No fixed repayment terms RMB'000	2018 Not past due/ No fixed repayment terms RMB'000
Other receivables	**122,155**	57,282

2. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. As the credit period is only provided to some customers that have good credit history and the Group evaluates the performance of each customer annually, the Group determines the expected credit losses on these items by using provision matrix, grouped by past due status.

   As part of the Group's credit risk management, the Group uses debtors' past due status to assess the impairment for its customers because these customers are with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

36. FINANCIAL INSTRUMENTS (Continued)

Credit Risk and Impairment Assessment (Continued)

Notes: (Continued)

2. (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

	2019 Not past due RMB'000	2018 Not past due RMB'000
Trade receivables	**181,874**	278,079

All of the Group's trade receivables are neither past due nor impaired. Receivables that were neither past due nor impaired related to a number of diversified customers for whom there was no recent history of default.

Liquidity Risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

	Interest rate	On demand or less than I year RMB'000	1-2 years RMB'000	>2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December RMB'000
At 31 December 2019						
Trade and bills payables		**6,858,431**	**–**	**–**	**6,858,431**	**6,858,431**
Financial liabilities included in other payables and accruals		**301,513**	**–**	**–**	**301,513**	**301,513**
Lease liabilities	**5%**	**13,073**	**10,737**	**30,830**	**54,640**	**46,440**
		7,173,017	**10,737**	**30,830**	**7,214,584**	**7,206,384**
At 31 December 2018						
Trade and bills payables		4,580,418	–	–	4,580,418	4,580,418
Financial liabilities included in other payable and accruals		129,378	–	–	129,378	129,378
		4,709,796	–	–	4,709,796	4,709,796

36. FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements of Financial Instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Fair value of the Group's financial assets and financial liabilities that are measures at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019 Wealth management products and structured deposits at FVTPL (Note 1)	**–**	**3,432,866**	**–**	**3,432,866**
Equity instrument at FVTOCI (Note 2)	**–**	**–**	**18,731**	**18,731**
Debt instrument at FVTOCI (Note 1)	**–**	**167,318**	**–**	**167,318**
Total	**–**	**3,600,184**	**18,731**	**3,618,915**
As at 31 December 2018 Wealth management products and structured deposits at FVTPL (Note 1)	–	1,090,557	–	1,090,557
Equity instrument at FVTOCI (Note 2)	–	–	15,305	15,305
Debt instrument at FVTOCI (Note 1)	–	79,024	–	79,024
Total	–	1,169,581	15,305	1,184,886

Notes:

1. The valuation technique is discounted cash flows that reflects the credit risk of various counterparties.

2. The valuation technique is market approach, which provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

36. FINANCIAL INSTRUMENTS (Continued)

Reconciliation of level 3 fair value measurements

	Equity instrument at FVTOCI RMB'000
1 January 2018	17,773
Total losses in other comprehensive income	(2,468)
31 December 2018	15,305
Total gains in other comprehensive income	3,426
31 December 2019	**18,731**

37. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Particulars of the related parties, which entered into material transactions with the Group, are as follows:

Name	Relationship
E-Zebra Intelligent Technology (Beijing) Co., Ltd.("**E-Zebra**")	Controlled by the Controlling Shareholders
Ningbo Suogao Shock Absorber Co., Ltd.("**Ningbo Suogao**")	Controlled by close family members of the Controlling Shareholders
Tianjin Xingwei Electric Parts Co., Ltd.("**Tianjin Xingwei**")	Controlled by close family members of the Controlling Shareholders
Wuxi Xingwei Vehicle Fittings Co., Ltd.("**Wuxi Xingwei**")	Controlled by close family members of the Controlling Shareholders
Wuxi Daen Vehicle Industry Co., Ltd.("**Wuxi Daen**")	Controlled by close family members of the Controlling Shareholders

(b) Transactions with Related Parties:

(i) Purchases of products:

	31/12/2019 RMB'000	31/12/2018 RMB'000
Wuxi Xingwei	–	11,079

The purchases of products were made on terms agreed between the parties.

37. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Transactions with Related Parties: (Continued)

(ii) Sales of products:

	31/12/2019 RMB'000	31/12/2018 RMB'000
E-Zebra	–	43

The sales of products in 2018 were made on terms agreed between the parties.

The 2018 related party transactions in respect of items 37(b)(i) above also constitute continuing connected transactions according to the Listing Rules.

(c) Due to Related Parties:

	31/12/2019 RMB'000	31/12/2018 RMB'000
Trade payables		
Wuxi Xingwei	–	201
Ningbo Suogao	–	120
Wuxi Daen	–	34
	–	355
Bills payable		
Tianjin Xingwei	–	1,780
Wuxi Xingwei	–	834
	–	2,614

The amounts are unsecured, interest-free and have no fixed term of repayment.

(d) Compensation of Key Management Personnel of The Group:

	31/12/2019 RMB'000	31/12/2018 RMB'000
Salaries	**7,605**	6,449
Pension scheme contributions and social welfare	**380**	581
	7,985	7,030

In addition to the amounts above, the Group also provides other non-monetary benefits, refer to note 10 for detail.

38. DETAIL OF SUBSIDIARIES

Detail of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiaries	Place and date of registration and place of operations	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 31 December 2019	2018	Principal activities
Yadea Group Management Holdings Limited	British Virgin Islands 17 July 2014	USD100	**100%**	100%	Investment holding
Ture Vantage Global Limited	Republic of Seychelles 28 April 2011	USD1,000	**100%**	100%	Investment holding
Regal Talent Holdings Limited	Hong Kong 2 December 2010	HKD10,000	**100%**	100%	Investment holding
Yadea HK Holdings Limited	Hong Kong 5 August 2014	HKD100	**100%**	100%	Investment holding
無錫雅迪諮詢有限公司* (Wuxi Yadea Consulting Co., Ltd.)*	Wuxi, the PRC 30 June 2014	RMB1,000,000	**100%**	100%	Investment holding
無錫雅迪電動科技有限公司 (Wuxi Yadi Electric Technology Co., Ltd.)	Wuxi, the PRC 20 December 2016	USD150,000,000	**–**	100%	Development, manufacture and sale of electric vehicles and accessories
江蘇雅迪科技發展有限公司* (Jiangsu Yadea Technology Development Co., Ltd.)*	Wuxi, the PRC 20 June 2001	RMB150,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and accessories
浙江雅迪機車有限公司* (Zhejiang Yadea Motorcycle Co., Ltd.)*	Ningbo, the PRC 28 September 2002	RMB100,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and Accessories
無錫雅迪進出口有限公司* (Wuxi Yadea Import and Export Co., Ltd.)*	Wuxi, the PRC 5 April 2007	RMB510,000	**100%**	100%	Export of electric vehicles and accessories

38. DETAIL OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of registration and place of operations	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 31 December 2019	2018	Principal activities
天津雅迪偉業車業有限公司* (Tianjin Yadea Weiye Vehicle Co., Ltd.)*	Tianjin, the PRC 25 August 2009	RMB500,000	**100%**	100%	Manufacture and sale of accessories
雅迪科技集團有限公司* (Yadea Technology Group Co., Ltd.)*	Wuxi, the PRC 17 December 2010	RMB100,000,000	**100%**	100%	Investment holding and manufacture and sale of electric vehicles and accessories
天津雅迪實業有限公司* (Tianjin Yadea Industry Co., Ltd.)*	Tianjin, the PRC 25 January 2011	RMB50,000,000	**100%**	100%	Development manufacture and sale of electric vehicles and accessories
雅迪科技集團銷售有限公司* (Yadea Technology Group Sales Co., Ltd.)*	Wuxi, the PRC 7 February 2014	RMB50,000,000	**100%**	100%	Sale of electric vehicles and accessories
江蘇新迪科技發展有限公司* (Jiangsu Xindi Technology Development Co., Ltd.)*	Wuxi, the PRC 28 April 2014	RMB70,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and Accessories
上海雅迪投資有限公司* (Shanghai Yadea Investment Co., Ltd.)*	Shanghai, the PRC 15 May 2015	RMB10,000,000	**100%**	100%	Investment holding
廣東雅迪機車有限公司* (Guangdong Yadea Motorcycle Co., Ltd.)*	Qingyuan, the PRC 15 July 2015	RMB33,980,000	**100%**	100%	Development, manufacture and sale of electric vehicles and Accessories
成都雅迪銷售有限公司# (Chengdu Yadea Technology Co., Ltd.)#	Chengdu, the PRC 4 September 2017	RMB20,000,000	**70%**	70%	Sale of electric vehicles and accessories
上海慕虹投資有限公司* (Shanghai Muhong Investment Co., Ltd.)*	Shanghai, the PRC	RMB83,000,000	**100%**	100%	Investment holding
安徽雅迪機車有限公司* (Anhui Yadea Motorcycle Co., Ltd.)*	Liuan, the PRC 8 August 2018	RMB20,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and Accessories

38. DETAIL OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of registration and place of operations	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 31 December 2019	2018	Principal activities
江蘇大猴電子商務有限公司* (Jiangsu Dahou E-commerce Co. Ltd)*	Wuxi, the PRC 14 November 2018	RMB200,000,000	**100%**	–	Network e-commerce business
越南雅迪機車有限責任公司 (Viet Nam Yadea Electric Motorcycle Co., Ltd)	Beijiang, Vietnam 27 June 2019	USD1,000,000	**100%**	–	Development, manufacture and sale of electric vehicles and Accessories
(YADEA (EUROPE) TECHNOLOGY GMBH)	Hamburg, Germany 4 September 2019	EUR1,000,000	**100%**	–	Sale of electric vehicles and accessories
無錫雅迪企業管理中心* (Wuxi Yadea Corporate Management Centre)*	Wuxi, the PRC 18 September 2019	RMB200,000,000	**99.9%**	–	Management consultancy
無錫雅迪置業有限公司* (Wuxi Yadea Real Estate Co., Ltd.)*	Wuxi, the PRC 25 December 2019	USD30,000,000	**100%**	–	Investment holding

* Wholly foreign owned enterprise established in the PRC

Sino-foreign equity joint ventures

39. EVENTS AFTER THE REPORTING PERIOD

The outbreak of coronavirus disease ("COVID-19")

The outbreak of COVID-19 in China and the subsequent quarantine measures imposed by the Chinese government as well as the travel restrictions imposed by other countries in early 2020 have had a negative impact on the operations of the Group, as most of the Group's operations are located in east part of Mainland China. The Group had to stop its manufacturing activities since January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic.

The Group had resumed its manufacturing activities since mid-February.

Given the dynamic nature of these circumstances, the Directors consider that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue, but are expected to have limited impact to the consolidated results for the first quarter of 2020.

Except for the possible impact of the above mentioned COVID-19, the Group has no other material subsequent event up to the date of this report.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2019 RMB'000	31/12/2018 RMB'000
Non-current Assets		
Investments in subsidiaries	**174,282**	166,006
Equity instrument at fair value through other comprehensive income	**18,731**	15,305
Other receivables	**35,110**	–
Property, plant and equipment	**–**	417
Intangible assets	**–**	2,124
	228,123	183,852
Current Assets		
Amount due from a subsidiary	**12,078**	104,010
Prepayments, deposits and other receivables	**187,977**	200,374
Wealth management products	**185,027**	207,957
Cash and cash equivalents	**69,645**	168,048
	454,727	680,389
Current Liabilities		
Amount due to a subsidiary	**11,997**	11,997
Other payables and accruals	**1,098**	1,098
	13,095	13,095
Net Current Assets	**441,632**	667,294
Net Assets	**669,755**	851,146
Capital and Reserve		
Share capital	**187**	188
Share premium and reserves (Note below)	**669,568**	850,958
Total Equity	**669,755**	851,146

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note: Movements in the Company's share premium and reserves:

	Share premium RMB'000	Share award reserve RMB'000	Revaluation reserves RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2017	860,207	75,574	–	(2,974)	(17,428)	915,379
Adjustment (Note)	–	–	3,705	–	–	3,705
At I January 2018	860,207	75,574	3,705	(2,974)	(17,428)	919,084
Total comprehensive (expense)/income for the year, net of income tax	–	–	(2,468)	36,517	(1,004)	33,045
Payment of dividends	(101,171)	–	–	–	–	(101,171)
At 3 I December 2018	759,036	75,574	1,237	33,543	(18,432)	850,958
Total comprehensive income/(expense) for the year, net of income tax	**–**	**–**	**2,189**	**18,486**	**(88,565)**	**(67,890)**
Payment of dividends	**(105,672)**	**–**	**–**	**–**	**–**	**(105,672)**
Repurchase and cancellation of ordinary shares	**(7,828)**	**–**	**–**	**–**	**–**	**(7,828)**
Forfeiture of share award	**–**	**(36,887)**	**–**	**–**	**36,887**	**–**
At 31 December 2019	**645,536**	**38,687**	**3,426**	**52,029**	**(70,110)**	**669,568**

Note: Upon application of HKFRS 9, the Group elected to present in OCI for the fair value changes of all its equity investment previously classified as available-for-sale. This investment is not held for trading and not expected to be sold in the foreseeable future. The fair value gain of RMB3,705,000 relating to this unquoted equity investment previously carried at cost less impairment were adjusted to revaluation reserve as at 1 January 2018.