YADEA

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

2020
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Dong Jinggui (Chairman)
Ms. Qian Jinghong (Chief executive officer)
Mr. Shen Yu

Non-executive Director:

Mr. Zhang Yiyin

Independent Non-executive Directors:

Mr. Li Zongwei
Mr. Wu Biguang
Mr. Yao Naisheng
Mr. Wong Lung Ming

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
Ms. Lam Yuk Ling

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
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
Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
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
PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
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 Shanghai, 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 2020, the Group had 91 models of electric scooters and 82 models of electric bicycles for customers to choose from.

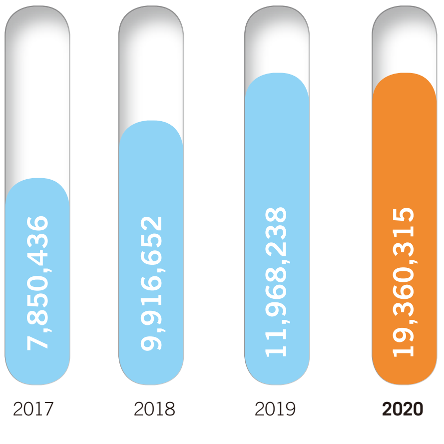
The Group has seven self-operated production facilities located in Wuxi, Tianjin, Cixi, Qingyuan, Anhui, Chongqing and Vietnam, respectively. As of 31 December 2020, the Group had annual electric two-wheeled vehicle production capacity of approximately 15 million units, supported by more than 8,000 employees. It also has a strong research and development team based in Shanghai and Wuxi with 626 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 2,955 distributors as well as their sub-distributors with over 17,000 points of sales as at 31 December 2020. The Group also had export sales to over 80 countries through its international distribution network.

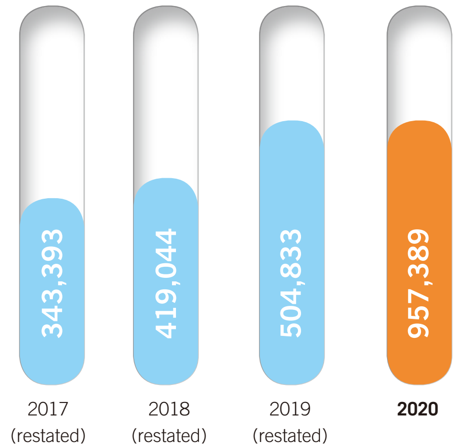
The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 May 2016 under the stock code of 1585.

FINANCIAL HIGHLIGHTS

REVENUE
RMB'000

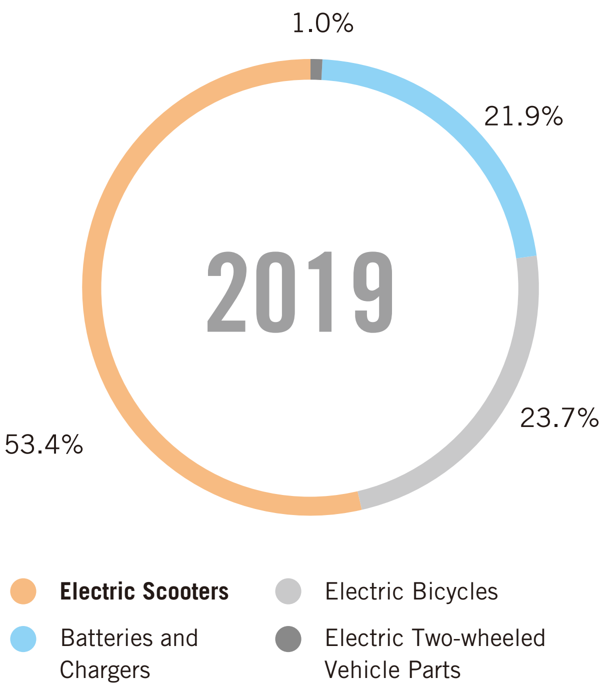


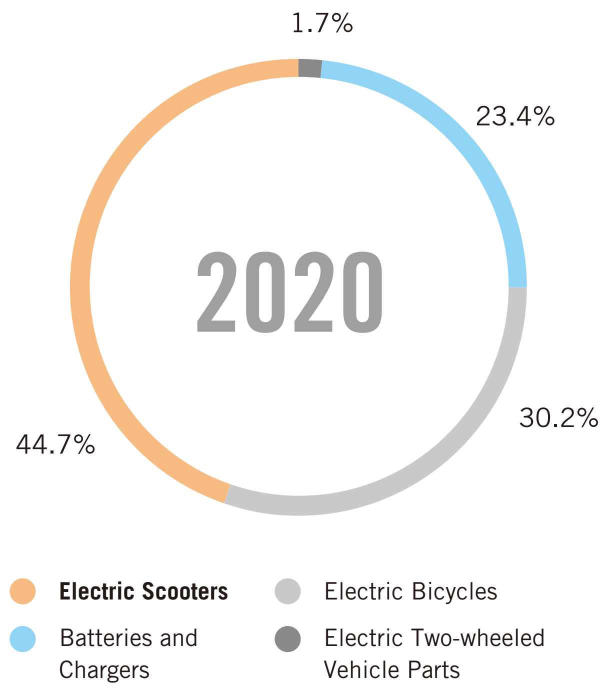
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
RMB'000



Consolidated revenue increased 61.8% year-on-year to RMB19,360.3 million

REVENUE GENERATED BY PRODUCT TYPE





CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2020 RMB'000	2019 RMB'000 (restated)*	2018 RMB'000 (restated)*	2017 RMB'000 (restated)*	2016 RMB'000 (restated)*
Revenue	**19,360,315**	11,968,238	9,916,652	7,850,436	6,662,139
Cost of sales	**(16,287,085)**	(9,890,101)	(8,297,067)	(6,682,040)	(5,309,375)
Gross profit	**3,073,230**	2,078,137	1,619,585	1,168,396	1,352,764
Profit before tax	**1,186,777**	600,216	464,995	397,984	547,963
Income tax expense	**(227,488)**	(91,524)	(44,669)	(54,287)	(109,307)
Profit for the year attributable to					
– Owners of the parent	**957,389**	504,833	419,044	343,393	438,656
– Non-controlling interests	**1,900**	3,859	1,281	304	–

CONDENSED CONSOLIDATED ASSETS AND LIABILITIES

	Year ended 31 December				
	2020 RMB'000	2019 RMB'000 (restated)*	2018 RMB'000 (restated)*	2017 RMB'000 (restated)*	2016 RMB'000 (restated)*
Total assets	**16,016,355**	10,707,260	7,768,672	6,979,799	5,861,359
Total liabilities	**12,413,512**	7,639,718	5,013,724	4,555,473	3,632,262
Total equity	**3,602,843**	3,067,482	2,754,948	2,424,326	2,229,097

* Restatements for the amounts for the years ended 31 December 2016, 2017, 2018 and 2019.

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 2020.

Looking back at 2020, the global economy has been severely hit by the unprecedented outbreak of COVID-19 pandemic. However, China has demonstrated strong resilience and became the only major economy in the world that achieved positive economic growth in 2020. In spite of the challenging situation of global economic turbulence, Yadea led the industry to grow in adversity, achieved its annual business targets and delivered a series of new historical results by maintaining its strategic strength, focusing on its main business and strengthening its internal capacity.

BUSINESS REVIEW

Yadea has set a new record for its sales, revenue and profit in the year of 2020, further solidifying its market leading position in the electric two-wheeled vehicles market in the PRC. The Group sold an aggregate of approximately 10,803,323 units (comprised of 5,578,973 units of electric scooters and 5,224,350 units of electric bicycles) of electric two-wheeled vehicles during the year, up by approximately 77.3% from the previous year. The Group's revenue increased by approximately 61.8% to RMB19,360.3 million for 2020 as compared with 2019 and the Group's gross profit increased by approximately 47.9% from RMB2,078.1 million in 2019 to RMB3,073.2 million in 2020, which was mainly attributable to the strong demand brought by the surge in demand of personalised micromobility, change in methods of urban transport due to the COVID-19 pandemic safety concerns and expansion of distribution network of the Group.

Reviewing the past year, the outbreak of COVID-19 pandemic has brought uncertainties and challenges to business in various industries for the first half of 2020. The operation has been partially suspended since the Chinese New Year and production volumes have been slightly affected. Nevertheless, the Group followed and responded to the government's call by promptly resuming production and work advance. Most of the employees returned to the workplace with sufficient precautionary measures and the operation has resumed since the end of the first quarter of 2020. At the same time, the Group continued to proactively expand its market share in the PRC through broadening its distribution network. As at 31 December 2020, the Group has 2,955 distributors (2019: 2,155) as well as their sub-distributors with over 17,000 points of sales (2019: over 12,000 points of sales), covering almost every administrative region of the PRC.

In the area of research and development, the Group continued to invest in developing new models of electric two-wheeled vehicle and electric bicycle with advanced performance characteristics and new technology for core parts and components. In August 2020, the Group launched the Guanneng (冠能) edition electric two-wheeled vehicle, equipped with self-developed TTFAR 7-level extended range system consisting of seven core components, including salient pole motor with outstanding performance, graphene battery, energy recovery controller, three complementary core technologies and four major hardware innovations, achieving a constant breakthrough in continuous driving mileage and a significant increase in battery life. The Group has sold more than 670,000 units of Guanneng (冠能) edition electric two-wheeled vehicle since its debut in August 2020. Guanneng (冠能) M6 edition electric scooter became one of the best selling models in 2020 and was also showcased in CCTV's Spring Festival Gala in 2021. As at 31 December 2020, the Group had 91 models of electric scooters (2019: 100 models of electric scooters) and 82 models of electric bicycles (2019: 62 models of electric bicycles) with various designs, colours and functionalities for the choices of customers.

OUTLOOK

With the emergence of demand of personalised green micromobility, continuous upgrade of electric two-wheeled vehicles and diversification of product application, the customer base of electric-two wheeled vehicles will continue to expand. Further coupled with the sustainable replacement demand brought by the growing penetration of two-wheeled vehicles, the two-wheeled vehicles industry enjoys optimistic outlook.

Looking ahead, the Group will actively seize development opportunities, focusing on enhancing its brand influence, expanding its production capacity and distribution network domestically and internally, exploring overseas market as well as improving its research and development capability in order to provide customers with higher value-added electric two-wheeled vehicles which are safer, smarter, more convenient and more environmental-friendly. With its leading advantages in the industry and solid foundation, the Group is confident about its overall business prospect.

I would like to take this opportunity to sincerely thank our employees, customers, shareholders, suppliers and business partners for their firm support to the Group over the years. We look forward to such continuing cooperation in the years to come.

Mr. Dong Jinggui
Chairman
29 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB19,360.3 million, representing an increase of approximately 61.8% from RMB11,968.2 million in 2019. Revenue from the sales of electric scooters increased by approximately 35.4%, from RMB6,393.3 million in 2019 to RMB8,659.5 million in 2020, and revenue from the sales of electric bicycles increased by approximately 105.8%, from RMB2,837.8 million in 2019 to RMB5,840.2 million in 2020, primarily due to the increase in market demand for the Group's products resulting from (i) the expansion of sales network of the Group, (ii) the change in methods of urban transport and (iii) the continuous launch of highly cost-effective and popular products by the Group. The average selling prices of the electric scooters decreased from RMB1,690 in 2019 to RMB1,552 in 2020, and that of the electric bicycles decreased from RMB1,228 in 2019 to RMB1,118 in 2020.

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

Product Type	For the year ended 31 December 2020 Revenue (RMB'000)	% of total	Volume '000 units	For the year ended 31 December 2019 Revenue (RMB'000)	% of total	Volume '000 units
Electric scooters	**8,659,503**	**44.7**	**5,579.0**	6,393,253	53.4	3,783.2
Electric bicycles	**5,840,153**	**30.2**	**5,224.4**	2,837,816	23.7	2,310.5
Subtotal	**14,499,656**	**74.9**	**10,803.4**	9,231,069	77.1	6,093.7
Batteries and chargers	**4,532,919**	**23.4**	**Batteries: 9,777 Chargers: 6,741**	2,623,746	21.9	Batteries: 5,417.9 Chargers: 4,180.8
Electric two-wheeled vehicle parts	**327,740**	**1.7**	**N/A**	113,423	1.0	N/A
Total	**19,360,315**	**100.0**	**27,321.6**	11,968,238	100.0	15,692.4

Cost of sales

Cost of sales of the Group increased by approximately 64.7% from RMB9,890.1 million in 2019 to RMB16,287.1 million in 2020, 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 47.9% from RMB2,078.1 million in 2019 to RMB3,073.2 million in 2020, and the gross profit margin decreased by 1.5% from approximately 17.4% in 2019 to approximately 15.9% in 2020.

Other income and gains, net

Other income and gains of the Group increased by approximately 37.7% from RMB187.4 million in 2019 to RMB258.1 million in 2020, primarily due to the increase in net fair value gains on financial assets at FVTPL and government grants.

Administrative expenses

Administrative expenses of the Group increased by approximately 23.4% from RMB484.2 million in 2019 to RMB597.5 million in 2020, primarily due to the increase in employee benefits expenses and plant depreciation expenses.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 17.9% from RMB792.8 million in 2019 to RMB934.9 million in 2020, primarily due to the increase in employee benefits expenses, freight expenses and advertising expenses.

Research and development costs

Research and development costs increased by approximately 56.7% from RMB386.1 million in 2019 to RMB605.2 million in 2020, primarily due to the increase in employee benefits expenses and development projects relating to new products and new technologies.

Finance costs

The Group incurred finance costs of RMB4.6 million in 2020 due to interest costs on interest charges for lease liabilities and other interest expenses.

Income tax expense

Income tax expense increased by approximately 148.6% from RMB91.5 million in 2019 to RMB227.5 million in 2020, primarily due to the increase in sales revenue and profit before tax and withholding tax of appropriation of dividend.

Profit for the year

As a result of the cumulative effect of the foregoing, profit of the Group increased by approximately 88.6% from RMB508.7 million in 2019 to RMB959.3 million in 2020.

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow

As at 31 December 2020, the Group's cash and cash equivalents amounted to RMB3,420.9 million, representing an increase of approximately 29.8% from RMB2,636.6 million as at 31 December 2019.

The Group's primary source of funding comes from cash flows generated from its operating activities. As at 31 December 2020, except for the interest-free loan of RMB97.67 million obtained by the Group from the local government in the PRC in relation to the construction of its new production facility, 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 RMB2,217.5 million in 2020, as compared with net cash generated from operating activities of RMB2,818.7 million in 2019. Net cash used in investing activities was RMB1,036.0 million in 2020, as compared with net cash used in investing activities of RMB1,987.9 million in 2019. Net cash used in financing activities was RMB358.7 million in 2020, as compared with net cash used in financing activities of RMB226.6 million in 2019.

Net current assets

As at 31 December 2020, the Group had net current assets of RMB1,137.8 million, as compared with net current assets of RMB1,234.7 million as at 31 December 2019.

Inventories

The Group's inventories consist of raw materials and finished goods. The Group's inventories increased by approximately 6.5% from RMB638.9 million as at 31 December 2019 to RMB680.2 million as at 31 December 2020, primarily due to the increase in stock reserve. The average inventory turnover days in 2020 decreased to 7.6 days from 16.5 days in 2019.

Trade receivables

Trade receivables increased from RMB181.9 million as at 31 December 2019 to RMB377.1 million as at 31 December 2020, primarily due to the increase in sales of goods.

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 10.6% from RMB3,582.9 million as at 31 December 2019 to RMB3,963.0 million as at 31 December 2020. Such increase was primarily due to the increase in structured deposits.

Trade and bills payables

Trade and bills payables increased from RMB6,858.4 million as at 31 December 2019 to RMB10,786 million as at 31 December 2020, primarily due to the increase in bills payables owing to the suppliers resulting from the increase in purchases.

Gearing ratio

The gearing ratio (as defined as total borrowings divided by total equity as at the respective period-end dates and multiplied by 100%) of the Group as at 31 December 2020 was 2.7% (31 December 2019: nil).

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 2020, the Group had 8,184 employees, as compared with 4,341 employees as at 31 December 2019 as the Group hired more employees in the production and sales department. Total staff costs in 2020, including labour outsourcing cost but excluding the Directors' remunerations, were RMB1,141.1 million, representing an increase of approximately 113.1% from RMB535.4 million in 2019. 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 2020, 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 2020, the pledged assets of the Group amounted to RMB5,891.9 million.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL 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 2020.

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

On 7 January 2021, Fang Yuan Investment Company Limited ("**Fang Yuan**") entered into sale and purchase agreements with independent third parties (the "Purchasers"), where Fang Yuan agreed to dispose of, and the Purchasers agreed to purchase from Fang Yuan, an aggregate of 100,000,000 Shares, for a consideration of HKD1,450,000,000 (the "**Disposal**"). Immediately upon completion of the Disposal, Fang Yuan held 504,762,859 Shares, representing approximately 16.85% of the total number of issued Shares as at 7 January 2021. For further details of the Disposal, please refer to the announcement of the Company dated 7 January 2021.

Save as disclosed above, the Group has no other material subsequent events since the end of the Reporting Period up to the date of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The Group is pleased to present its 2020 Environmental, Social and Governance ("**ESG**") Report (the "**Report**"). The Report put forward the Group's performances, achievements and plans in relation to ESG matters and layout the Group's ongoing efforts and commitments in achieving sustainable development.

Reporting Scope

This Report covers the ESG-related matters of the Company and its subsidiaries, covering five manufacturing facilities in Jiangsu, Zhejiang, Tianjin, Guangdong and Anhui, being the Group's main operational sites.

Reporting Period

This Report is an annual report, covering all times during the reporting period from 1 January 2020 to 31 December 2020 (the "**Reporting Period**"), and some of its contents may fall beyond the above Reporting Period.

Basis of Preparation

This Report has been prepared in accordance with Environmental, Social and Governance Reporting Guide (the "**Reporting Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**"). The reporting principles and the "comply or explain" provisions set out in the Reporting Guide have been complied with.

This Report is released after being reviewed and approved by the Board. For the corporate governance related matters, please refer to the Corporate Governance Report section of this annual report.

Sources of Data

The content of this Report are derived from statistical reports and other relevant documents of the Group.

Identification of Material Issues and Communication of Stakeholders

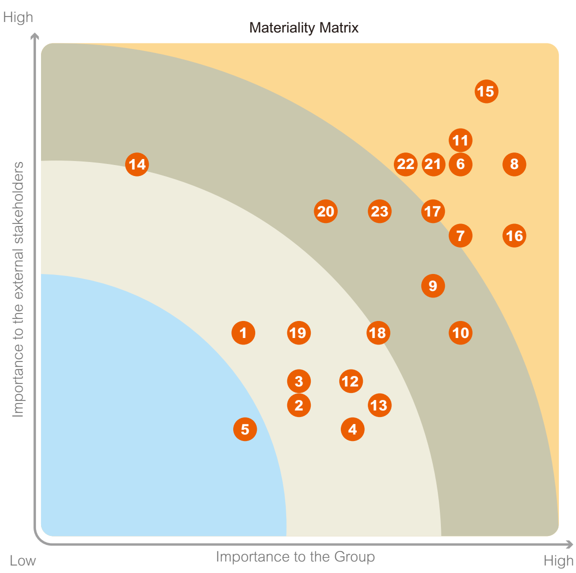
Stakeholders participation is vital for the Group's sustainable development. The Group carefully identifies stakeholders by reviewing and evaluating the daily operation and communication channels of the Group. To facilitate efficient ESG management, the Group takes an active role to stimulate stakeholders engagement and establishes various means of communication to understand the expectations of the stakeholders and give speedy responds to them through actions. The means of communication, expectations and the Group's responses to the expectations of the relevant stakeholders are as follows:

Stakeholders	Means of Communication	Expectations	Responses
Government and regulatory authorities	• Policies and related guidelines • Regular communication • Inspections and supervision	• Operation under national policies • Tax payment according to law • Stability in operation • Creation of employment opportunities	• Laws and regulations compliance • Facilitating development of local economic • Equal employment • Community caring
Shareholders and investors	• General meetings and other shareholder meetings • Financial reports • Announcements and circulars • Company website	• Reasonable and sustainable return on investment • High level of corporate governance • Public information disclosure	• Sound operation • Optimising governance • Disclosing information promptly and publicly

Stakeholders	Means of Communication	Expectations	Responses
Customers	• WeChat official account/ WeChat group for customers • Official Weibo • Customer hotline • Users' App • Company website	• Innovative product designs • Timely information on new products • Increase in customer satisfaction • Assurance of product quality • Improvement of service quality	• Diversified product portfolio • Products of the Internet of Things ("IoT") • Customers' experience centres • "Safety Riding Insurance" service • Customer satisfaction survey
Employees	• Training workshops, seminars and conferences • Employee mailbox • WeChat official account • Internal publications	• Sound remuneration and welfare benefits • Career development • Occupational health • Protection of rights	• Optimisation of training workshops • Various employee activities • Improvement of working and living environment • Attractive remuneration package and career advancements systems
Suppliers and business partners	• Research and evaluation meetings on site • Regular review and assessment • Daily communication • Business communication and cooperation	• Long-term cooperation • Fair competition and operation with integrity • Mutual benefits and achievements • Laws and regulations compliance	• 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 • Social media platforms	• Improvement of community environment • Active participation in community charity	• Voluntary services • Charitable donation • Distributors' participation encouragement
Public and media	• Press releases • Online media communication • Announcements and reports	• Information transparency • Timely disclosure of information	• Compliance with relevant regulations • Objective report • Marketing promotion
Environment	• Environmental protection activities and promotion • ESG reports • Communication with environmental departments and local community	• Reduction on energy consumption and carbon emissions • Reuse and recycle • Green travel promotion	• Reduction of pollutant emissions • Recycling resources • Green charity ride

To systematically formulate sustainability strategies, the Group measures the materiality of the ESG related issues of the Group from two dimensions, being the internal stakeholders and the external stakeholders. The Group believes that meeting the expectations of the stakeholders is essential to the long-term growth of the Group's business. With this in mind, the Group formed below matrix for the materiality of ESG issues of Yadea in 2020 as the basis for the selection of content of this Report and unfold the Group's effort in responding to these ESG issues.

ESG Aspects		No.	ESG Issues
A. Environmental	A1: Emissions	1	Exhaust Gas Emissions
		2	Waste Water Management
		3	Solid Wastes Management
	A2: Use of Resources	4	Energy Consumption
		5	Water Consumption
		6	Green Operation
	A3: Environmental and Natural Resources	7	Sustainable Resources Usage and Procurement
B. Social	B1: Employment	8	Employees' Satisfaction
	B2: Health and Safety	9	Occupational Health and Safety Management
	B3: Development and Training	10	Employees' Career Development
	B4: Labour Standards	11	Labour Rights and Interests
	B5: Supply Chain Management	12	Selection and Evaluation of Suppliers
		13	Supplier Management and Monitoring
		14	Fair Procurement
	B6: Product Responsibility	15	Product Quality
		16	Customer Satisfaction
		17	Innovative Technology
		18	Protection of Intellectual Property
		19	Protection of Consumer Privacy
	B7: Anti-corruption	20	Anti-corruption Management
	B8: Community Investment	21	Community Development
		22	Social Welfare
		23	Reasonable Media Campaign



ENVIRONMENT

Emissions Management

The Group has always prioritised environmental protection during the course of our business operation. In 2020, the Group passed all regular inspections by the local environmental protection authorities and strictly complied with applicable environmental laws and regulations and various national standards as summarised below:

Environmental laws and regulations	• "Environmental Protection Law of the People's Republic of China" (《中華人民共和國環境保護法》) • "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》) • "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》) • "Law on Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China" (《中華人民共和國固體廢物污染環境防治法》) • "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》)
National standards	• 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) • Category III of "Environmental Quality Standard for Noise" (《聲環境質量標準》) (GB3096-2008)

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 2020, the primary emissions due to the Group's operation were as follows:

Waste water	• Production sewage from VOC recycled technique • Domestic sewage
Exhaust gas	• Industrial exhaust gas from coating process • Canteen fumes
Non-hazardous solid wastes	• Waste packaging materials
Hazardous solid wastes	• Solvents, thinners, paint residue, spent carbon, sludge and others generated during industrial production

During the Reporting Period, the Group's total greenhouse gas emissions amounted to 23,809.85 tonnes of carbon dioxide equivalent, while greenhouse gas emissions per unit vehicle amounted to 2.48 kg of carbon dioxide equivalent. The primary emissions data are as follows:

Types of emissions	Unit	Emissions amount of 2019	Emissions amount of 2020
Total amount of waste water discharged	tonne	272,977.66	**371,993.30**
Total amount of COD in waste water	tonne	16.81	**25.22**
Total amount of NH3-N in waste water	tonne	1.14	**3.92**
Total amount of VOC in exhaust gas	tonne	26.75	**30.52**
Total amount of nitrogen oxides in exhaust gas	tonne	11.24	**3.87**
Total amount of sulphur dioxide in exhaust gas	tonne	3.87	**2.30**
Total amount of hazardous waste generated	tonne	352.70	**593.73**
Density of hazardous waste produced per unit vehicle production	kg per vehicle	0.062	**0.062**
Total amount of non-hazardous waste (waste packaging materials) generated	tonne	3,257.77	**4,286.40**
Density of non-hazardous waste produced per unit vehicle production	kg per vehicle	0.60	**0.45**
Total greenhouse gas emissions	tonnes of carbon dioxide equivalent	17,492.19	**23,809.85**
Greenhouse gas scope 1 emissions	tonnes of carbon dioxide equivalent	2,984.46	**3972.59**
Greenhouse gas scope 2 emissions	tonnes of carbon dioxide equivalent	14,507.73	**19,837.25**
Greenhouse gas emissions per unit vehicle	kg of carbon dioxide equivalent per vehicle	3.11	**2.07**

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 installed 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 applicable laws and regulations and policies implemented internally as summarises below:

Laws and regulations	• "Water Law of the People's Republic of China" (《中華人民共和國水法》) • "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》) • "Cleaner Production Promotion Law" (《清潔生產促進法》)
The Group's internal policies	• "Management System on Environmental Protection and Resources Conservation" • "Regulations on Management of Energy Use"

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 during the Reporting Period.

In 2020, 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 was 6,077.94 tce, and energy consumption per unit production was 0.63 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 2019	**Consumption amount in 2020**
Total comprehensive energy consumption (converted)	tce	4,729.90	**6,077.94**
Energy consumption per vehicle produced	kgce per vehicle	0.84	**0.63**
Total purchased electricity consumption	MWh	20,357	**30,166**
Photovoltaic power consumption	MWh	2,210	**3,786.4**
Total gasoline consumption	ten thousand litre	9.37	**9.86**
Total diesel consumption	ten thousand litre	6.0	**4.7**
Natural gas consumption	ten thousand cubic metre	119.5	**165.9**
Total water consumption	ten thousand cubic metre	30.7	**42.9**
Water consumption per vehicle	litre per vehicle	54.6	**44.7**
Packaging materials consumption	tonne	49,060.7	**63,531.5**

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 continued to rely on photovoltaic power sourced from photovoltaic power stations co-developed with external institutions. The stations generated a total of 4,736.8 MWh, and meeting the 3,786.4 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.

Achievement: Zhejiang facility was named as "Green Factory"

The Group has always actively responded to both national and regional call for promotion of green manufacturing. Pursuant to the standards and requirements of "Notice on Printing and Distributing the Implementation Plan for the Construction of Green Manufacturing System in Ningbo" (《關於印發寧波市綠色製造體系建設實施方案的通知》)and other documents and through nomination and examinations, the Group's Zhejiang facility was named as one of the Green Factories in Ningbo by Ningbo Municipal Economic and Information Technology Bureau.

The Environment and Natural Resources

The Group believes that it is the joint responsibility of the Group and different stakeholders to respond actively to environmental protection and sustainable resource utilisation. As a leading brand in electric two-wheeled vehicles industry, the Group aims to lower the impact of its operation to the environment, and raise the awareness among stakeholders by setting an example. During the Reporting Period, the Group had no serious incidents affecting the environment and natural resources.

The Group actively promotes the usage of graphene battery and lithium battery to substitute lead-acid battery. The Group targets to increase the usage of graphene battery and lithium battery to 50% of its products. In 2020, the Group organised greening activities including but not limited to arbor day.

SOCIETY

Employment

The Group fully acknowledges the value of our employees as the major driving force for sustainable development. The Group upholds the core concept of "people-oriented" and strives retain and recruit talents to join Yadea family. While creating harmonious and democratic working environment for our employees, the Group also ensures that each employee enjoys equal and indiscriminate treatment during our continuous development.

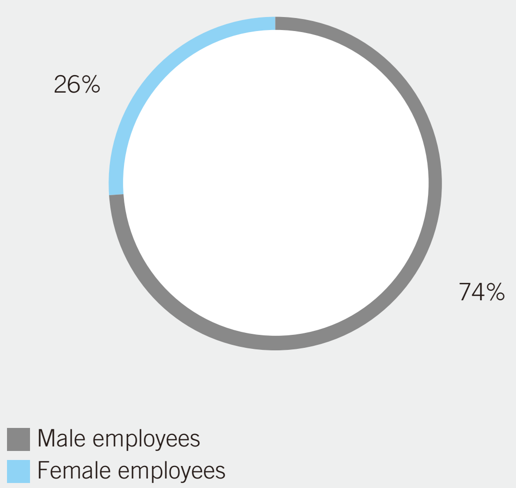
In 2020, the Group observed and strictly complied with applicable laws and regulations and implemented internal measures as summarises below:

Laws and regulations	• "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》) • "Labour Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》) • "Social Insurance Law of the People's Republic of China" (《中華人民共和國社會保險法》)
The Group's internal measures	• "Internal Employees Appointment Management Measures" • "Senior Personnel Management Measures" • "Labour Contract Management Measures"

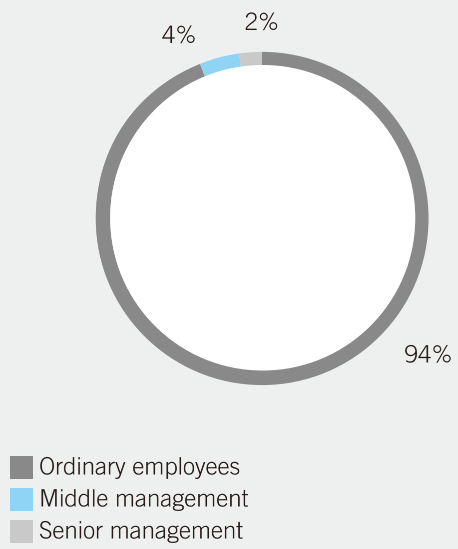
The Group strives to protect the legitimate rights and interests of the employees. With internal measures implemented, it unfolds standards of labour employment and specify the employee benefits and welfare, including policies on remuneration, recruitment, employment, working hours, leaves and equal pay for equal work, for a more efficient human resources and operational management. The Group further ensures 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 8,184 employees in total. The turnover rate of male employees was 4.50%, and the turnover rate of female employees was 4.40%.

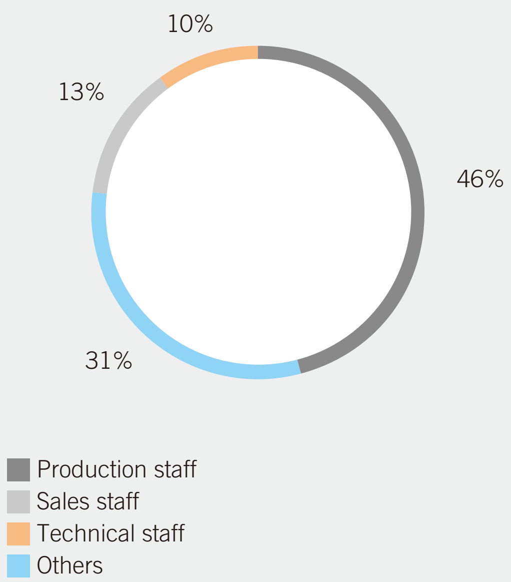
GENDER STRUCTURE



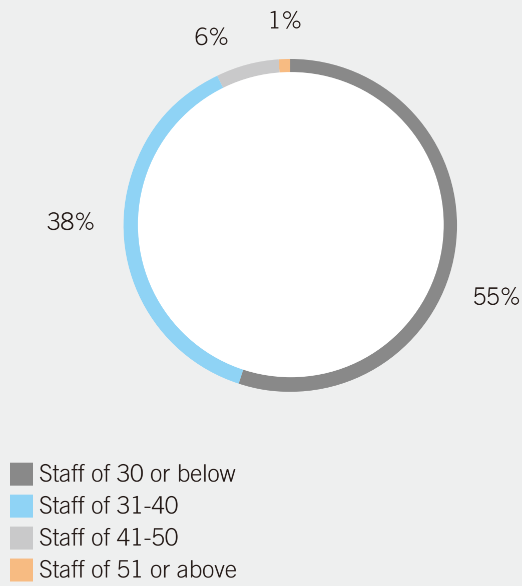
LEVEL STRUCTURE



POSITION STRUCTURE



AGE STRUCTURE



Health and Safety

The Group adheres to the principle of "safety first, caring for life" and urges employees to gain knowledge on production risks in order to avoid danger and produce safely. The Group strictly complies with relevant laws and regulations as summarises below:

Laws and regulations	• "Production Safety Law of the People's Republic of China" (《中華人民共和國安全生產法》) • "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》)
The Group's internal safety measures	• "Safety Production Management Measures" • "Special Equipment Management Measures" • "External Construction Personnel Management Measures" • "Fire Safety Management Measures"

The Group has taken further steps in its daily operations to ensure the health and safety of employees as follows:

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.

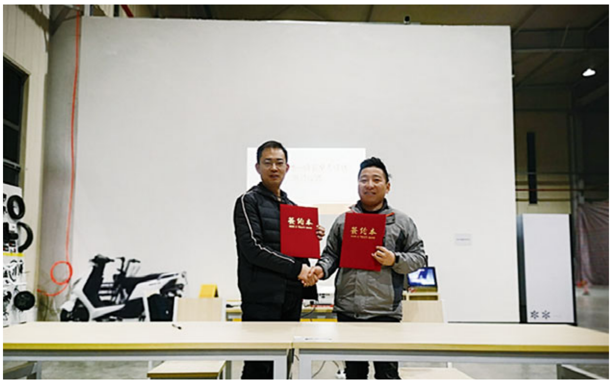
The Group held various safety drills and occupational safety trainings. In 2020, the Group conducted key trainings on fire safety focusing on fire accidents prevention and usage of fire extinguisher, in order to boost the employees' awareness on fire safety measures and creating fire safety resilience. The Group further encourages employees to sign safety responsibility certificate to signifies their understanding in occupational safety. The key annual health and safety information is set out as below:

Indicators	Unit	2019	2020
Fatality	person	0	**0**
Number of work-related fatalities	person	0	**0**
Investment in production safety	ten thousand RMB	202.1	**196.54**
Number of safety education trainings	time	60	**160**
Person-times of safety education training	person-time	5,876	**6,330**

Fire safety workshop

Practical training on fire extinguisher usage

Safety responsibility certificate signing ceremony



Career Development and Occupational Training

The Group cherishes contributions of all employees and believes employees are vital to sustainable business growth. 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 resources for the Group, so as to achieve the management concept of "selection, utilisation, development and retention of talents" and enhance its overall competitiveness.

The Group provides different promotion channels for management and non-management personnel, and optimises staffing in different levels and regions. During the Reporting Period, the Group continued to review the organisational structure according to the Group's continuous development and expansion, and created extensive development opportunities for existing and newly recruited employees.

The Group believes mutual development benefits both the Group's business and the employee. In 2020, the Group's human resources department initiated leaning and development projects, while other departments organises more precise professional training activities in relation to the daily operations of the respective departments. In order to enrich the resources and dimensions of the Group's training, the Group procured external training courses and materials, such as IPD training, strategic procurement operations and supplier management training, management team building, procedures upgrading training and others.

From January to December 2020, the Group and its facilities in different regions have organised 989 trainings in total with the total training hours of 141,919 and average training hours of 17.48 per person.

Indicators	Unit	2019	2020
Total training hours	Hour	351,055	**141,919**
External training hours	Hour	289,312	**2,708.5**
Percentage of male employees trained	%	100	**100**
Percentage of female employees trained	%	100	**100**

Detailed training information of the Group in 2020 is as below:

Training courses	Total amount of time (hours)	Total number of people (persons)	Training hours per person (hours)
Professional training[1]	**47,749.5**	**23,498**	**5.88**
General training[2]	**7,709.5**	**3,400**	**0.95**
Project training[3]	**66,653**	**11,774**	**8.21**
Orientation[4]	**16,967**	**4,316**	**2.09**

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.

Achievement: Mentorship scheme

The sales department initiated mentorship scheme for the newly recruited university graduates. The scheme aims to pair up newly recruited employees with experienced employees to create a friendly environment for the new employees to quickly adapt to the new working environment. Such scheme also helps all employees to increase their sense of belonging to the Group and acquaint with each other while developing their leadership and communication skills.

Labour Standards

Yadea devotes to building up a corporate culture of "Love, Altruism and Harmoniousness". The Group strictly abided by the labour laws and regulations and some measures were implemented internally as summarises below:

Labour laws and regulations	• "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》)
The Group's internal measures	• "Employees Employment Management Measures" (《員工任用管理辦法》) • "Employee Rights and Interests Protection System" (《員工權益保護制度》)

The Group forbids all kinds of illegal employment, including but not limited to forced labour, straining employees by imprisonment and child labour. The Group 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 transparent resignation procedures. The Group does not require an employee to hand in ID card, passport or work permit granted by the government or in any way escrow the same in order to gain a job in the Group. No employment opportunity will be given to child under 16 years old. During the Reporting Period, no employment violations were noted.

The Group strives to create a fair and harmonious working environment for the employees. The Group actively promotes zero discrimination towards race, social status, nationality, religion, disability and sexual orientation by non-interference towards employees' believes and customs. We respect employees' basic rights granted by the PRC laws including the rights to free association, freedom to join trade union, representative groups and workers' committee. Employees are also encouraged and allowed to communicate with the management publicly on the working conditions with no fear of retaliation, threat or harassment.

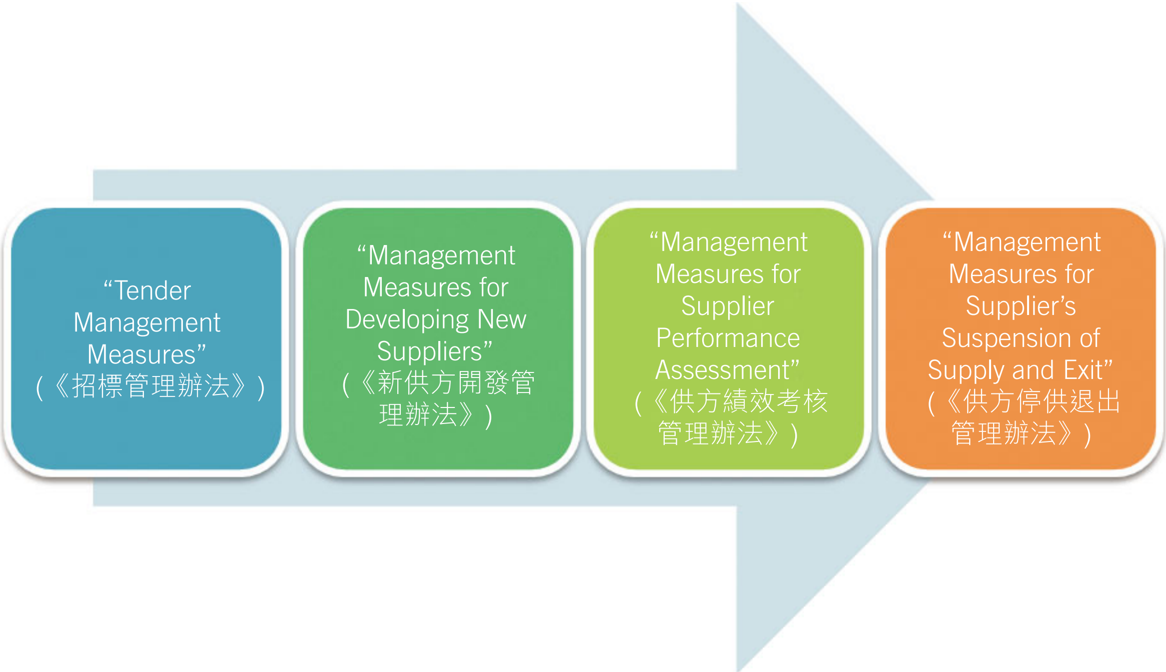
In addition to the abovementioned basic rights, it has long been a target of the Group to create a healthy and comprehensive working and living environment for employees. The Group equips advanced machinery and office utensils and provides spacious office areas with green plants, pantries, libraries and staff canteen to boost employees' satisfaction towards working and living environment. It also arranges dormitories near to work places for employees and provides shuttle services and other supporting facilities to make working as convenient as possible for the employees. On the other hand, the Group offers all employees festive gifts and holidays entitlements, including but not limited to warm ginger soup in winter, group traveling etc. During the Reporting Period, the Group continued to hold staff recreational activities, such as family day, movies night and basketball competition, etc.

Achievement: Yadea family day

The Group acknowledges the importance of family support for the well-being of the employees, thus the Group strives to bring together and get to know not only the employees but also their family members. In 2020, despite widespread of the pandemic, the Group successfully organised family day for the employees of the Zhejiang facility. Over 200 employees and their family members joined the family day and created a harmonious environment to facilitate communication between the Group, the employees and family members of the employees. The family members of the employees were given chances to understand the daily routine of employees which deepened the influence of Yadea's values on both the employees and their family members. The Group shall continue to hold family day when circumstances permit.

Supply Chain Management

The Group values its supply chain and believes that a consummate supply chain is the basis of production efficiency. The Group established a series of management measures and systems to govern supplier admission to exit set out below:



With the tightened national standard, Yadea has imposed more stringent requirements on its suppliers by implementing strict quality control regulation on every single parts and production technique. Representatives of the Group regularly visits and inspects its third party suppliers for investigation, information and sample collection during the Reporting Period. During the visits and inspections, the Group got to know more about manufacturing of components and were able to formulate mutual production targets and sort out high quality suppliers with promising production quality. Further, regular communication also facilitates timely delivery of parts during peak seasons, thus avoids possible production delay and hindrance to meeting annual target.

During the Reporting Period, the Group reorganises certain supply chain management procedures set out below:

Supplier management and monitoring	List of authorised suppliers for production were consolidated into one single system for effectively monitoring, the system manages information including but not limited to supplier authorisation, tender processing, procurement agreements signing, comments recording.
Construction and maintenance project management	With the continuous expansion plan, the Group learns the importance of construction and maintenance project management, a set of systematic project management procedures were established for a more comprehensive control over different stages of the projects.
Standardisation of procurement agreements	In late 2020, in order to unifies procurement practices and procedures of different manufacturing facilities, a revised standard procurement agreement of the Group was released for future use of all manufacturing facilities.

In 2020, apart from the ongoing requirement in relation to supply quality, the Group tightened the ESG requirements of its suppliers, new suppliers are required to abide certain ESG requirements while inspections were conducted against existing suppliers. Suppliers of the Group are encouraged 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 31 December 2020, the Group had a total of 2,046 suppliers, of which 80% was awarded quality certifications while 28% was awarded certifications on environmental protection and occupational health and safety. Among all suppliers, 90% of which were examined.

PRODUCT RESPONSIBILITY

Product Quality

The Group strives to produce product of excellent quality and implemented various quality control measures. The Group has always adhered to the business philosophy of "provide products and services that make consumers felicity" ("提供讓消費者有幸福感的產品") and has continuously to target with "better design, more high-tech, better quality, more advanced manufacturing, better service and more exports" ("更佳設計、更高科技、更優品質、更精製造、更好服務、更多出口").

In respect of the 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 the Group 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 jointly 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 2020, the Group observed and strictly complied with applicable laws, regulations and certain inspection standards as summarises below:

Laws and Regulations	• "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》)
Inspection Standards	• "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》) • "Market Recall Management Measures" (《市場召回管理辦法》)

During the Reporting Period, 11,273 pedals were recalled due to design defects. The Group strives to launch only products with the best quality to customers.

Random checks on vehicles in manufacturing sites and in outdoor areas

Achievement: Certified by China Quality Certification Centre

During 11 December 2020 to 15 December 2020, China Quality Certification Centre ("**CQC**"), which is independent from the Group, examined four out of five manufacturing facilities of the Group in Jiangsu, Zhejiang, Tianjin and Guangdong for inspections and to evaluate the Group's compliance and effectiveness in quality management. The Group was subsequently awarded certification of GB/T 19001-2016 and ISO 9001:2015. The certification signifies the Group's efforts and strict compliance towards quality control.

Innovative technology

The Group encourages innovative technology. 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:

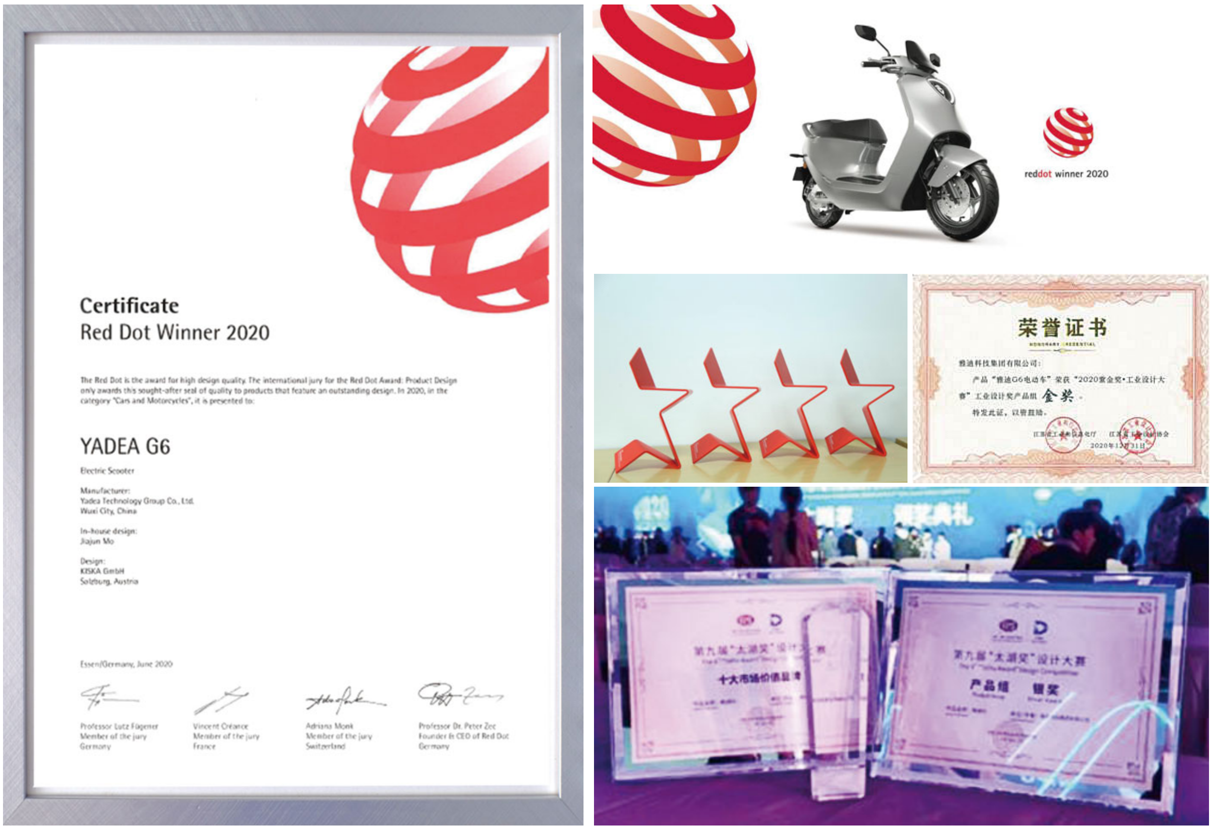
Encouraging scientific research and development	• Establish the "cross departmental teams" • Integrate resources • Formulate evaluation mechanism of project management
Encouraging patent applications and accelerating the conversion of patents	• Grant corresponding incentive payments for patent for utility model and appearance patent • Grant corresponding incentive payments for projects completing the declaration of result transformation and receiving awards
Raising awareness of patent protection	• Communicate regularly with science and technology bureaus and judicial protection authorities • Organise trainings and workshops on practices on protection of intellectual property rights • Propagate the cases of intellectual property protection

Figures of the Group's innovative technology development are listed as below:

Indicator	Unit	2019	2020
R&D expenditure	Million RMB	386.14	**605.22**
Number of patent applications (grand total)	pcs	820	**1,006**
Number of patents held for the year	pcs	784	**737**
Appearance patents held for the year	pcs	485	**499**
Utility model patents held for the year	pcs	264	**213**
Invention patents held for the year	pcs	35	**25**

Achievement: Wining on "Red Dot Award", "China Red Star Design Award" (中國紅星設計獎) and more

In 2020, the Group's long term efforts in innovative development was recognised both nationally and internationally. Yadea G6 won the "Red Dot Award" , a German international design prize, for its high design quality in the "Cars and Motorcycles" category. Yadea G6, Yadea E3 2.0, Yadea E6 and Yadea M8 all won the "China Red Star Design Award" for their excellent performances and outstanding appearances. Yadea E6 and Yadea G6 further won Gold Award in the Zijin Award •Industrial Design Competition and Silver Award in Taihu Award Design Competition (Product Group), respectively.



Achievement: Establishment of Cross-departmental Teams for IPD

In order to further develop IPD among the management of the Group, the Group established several cross-departmental teams and set out clear management systems covering areas including strategies planning, product line specifications and product development. Set forth below the details of these cross-departmental teams:

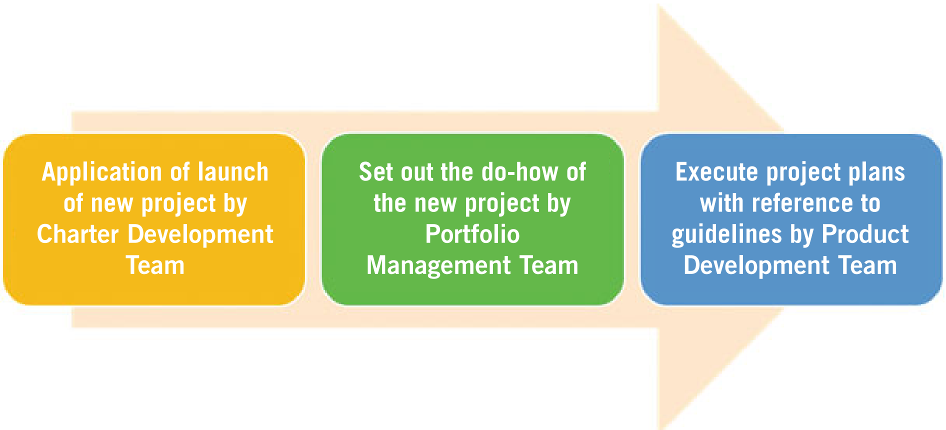
Integrated Product Management Team: The team aims to gather senior management from different departments to formulate products strategies, make investment decisions on product developments and ensure efficient use of resources during projects implementation. The team oversees functions of the below three teams.

Charter Development Team: The team aims to incubate concepts and solutions for development of new products. The team also collects market information and customer needs, combined such with the Group's capabilities and reviews product performances.

Portfolio Management Team: The team gathers representatives from functional departments to analyse market information and draw up technical roadmaps for product lines.

Product Development Team: The team aims to execute product plans and to ensure the product is successful in terms of financial benefits to the Group and market reputation. The team is responsible to develop the product, launch it and roll out plans for mass production of the relevant product.

Typical workflow of these cross-departmental teams:

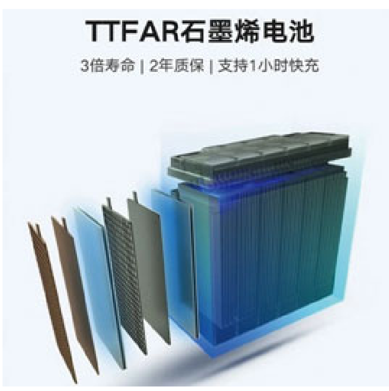


Achievement: Extended promotion in usage of graphene batteries and Salient Pole Motor

Following the Group's official launch of 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 Group continues to actively promote the usage of graphene batteries.

When compared with traditional lead-acid batteries, the Group'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. Further, the graphene batteries could sustain more than 1,000 charging cycles, which is 3 times of ordinary batteries. The graphene batteries are also safer, more durable and environmental friendly due to the material used for battery shells which are special nano-blend reinforced composite ABS material, it prevents lead pollution issues arising from battery leakage and recycling activities.

On 30 May 2020, the Group's Salient Pole Motor (permanent magnet synchronous hub motor) technology passed expert inspection and appraisal. The Salient Pole Motor adopts SPOKE and split-joint structure. It also uses non-magnetic SMC reinforced composite plastic which simplifies the assembly process and improves product reliability and production efficiency. It also introduces precise control and sensor technology using segmented MTPA and MTPV. The motor was proved to increase the cruising range of the electric vehicles and marked a breakthrough in range extension technology of permanent magnet synchronous hub motor for electric vehicles.



CUSTOMER SERVICE

The Group is committed to providing outstanding services to gain satisfaction from customers. The Group requires all sales personnel to strictly comply with applicable laws and regulations as well as the group's internal measures during sales and after-sale activities. The Group also strives to speed up the handling process of consumer complaints and standardising problem-solving methods (8D report forms) to the protect the consumer rights. Set forth below major laws and regulations and internal measures implemented be the Group:

laws and regulations	• "Consumer Protection Law" (《消費者權益保護法》) • "Regulations on Liability for Industrial Products Quality" (《工業產品質量責任條例》)
The Group's internal measures	• "Customer Complaint Management Measures" (《客戶投訴管理辦法》)

STRICT DISTRIBUTOR MANAGEMENT MECHANISM

The Group formulated a series of management system in relation to distributors and sales, including but not limited to 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 high-quality distributors with good creditability and services quality, and to strengthen daily regulation to eliminate fraud as an attempt to provide consumers with good services. The Group also provides technical support (including after-sale training and repair support) to distributors to ensure the distributors' ability to offer good sales and after-sales experience to the customers, and to promote high-level service requirements to overseas distributors.

PROTECTION OF CONSUMER PRIVACY

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

The Group equipped the management mechanism for terminal transaction data bank 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 both the big data centre and the audit and supervision department. The data platform shows results that were processed and automatically calculated, thus the operator will not be able to grasp personal information of a single customer. In 2020, no case of data infringement or leakage of customer information was found in the production, sales and after-sale services activities of the Group.

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 continues to upheld the "Yadea Group Anti-corruption Initiative" (《雅迪集團反腐倡議書》) reissued in 2019, 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 encourages whistleblowing by implementing the "Yadea Group Incentive and Protection Scheme for Whistleblowers" (《雅迪集團舉報人保護和獎勵制度》) which clearly defines 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 respect of case reporting, the Group relied 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 2020, the Group was not aware of any corruption proceeding involving the Group or its staff.

Specific channels for reporting cases include:

1. Dedicated mailbox to the audit monitoring and legal center
2. Hotline: 0510-88101338 or 18112399637
3. Email: audit@yadea.com.cn
4. WeChat anti-corruption official account: Integrity of Yadea (廉潔雅迪)
5. Other ways that the reporter may consider appropriate.

COMMUNITY INVESTMENT

The Group insists that it must shoulder social responsibilities and make contributions to the society. In 2020, the society was heavily affected by the pandemic, the Group responded to the donation calls from the local government and community and funded RMB30 million to procure medical supplies for Hubei and other impacted regions and supply the Group's electric two-wheeled vehicles to Hubei Province. The Group donated approximately 10,000 electric two-wheeled vehicles to Hubei Province to increase geographical mobility of the medical workers and to promote social distancing during pandemic through change of transportation medium. The Group also made use of its international procurement capabilities to import surgical masks and other medical supplies from foreign countries and distributed the same to the public through its widespread branches and retail stores.

Achievement: Yadea 717 Cycling Festival

The Group strives to promote driving safety in the forth Yadea 717 Cycling Festival. By short clips and charity activities, the Group promotes the use of driving helmets for driving safety and green transportation with less emissions. The festival was widely supported by celebrities and KOLs on different social platforms.

Achievement: Participation in "One Helmet, One Seatbelt"

In April 2020, a national wide campaign "One Helmet, One Seatbelt" was launched by the Traffic Administration Bureau of the Ministry of Public Security of the PRC in order to promote the use of helmets during motorcycle rides and the use of seatbelts during automobile rides. As a leading two-wheeled vehicles manufacturer and seller, the Group gave positive responses to the campaign by refining the Group's "Warm Orange Action". "Warm Orange Action" strives to promote 24-hour rescue repair services in low costs, 20 free inspection items, use of helmets and safe driving to all users of the Group's electric vehicles.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report of the Group for the year ended 31 December 2020.

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 2020, 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 2020. 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 *(Chief executive officer)* Mr. Shen Yu
Non-executive Director:	Mr. Zhang Yiyin
Independent Non-executive Directors:	Mr. Li Zongwei Mr. Wu Biguang Mr. Yao Naisheng Mr. Wong Lung Ming

The biographical information of the Directors are set out in the section headed "Directors & Senior Management Profiles" from page 48 to page 52 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 the 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.

The 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 2020, 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, of which 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. According to the articles of association of the Company (the "**Articles of Association**"), each of Mr. Dong Jinggui, Ms. Qian Jinghong and Mr. Shen Yu retired at the annual general meeting held on Friday, 12 June 2020 (the "**2020 AGM**"), and being eligible, offered themselves for re-election at the 2020 AGM. They were all re-elected as executive Directors at the 2020 AGM.

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 annual general meeting held on Wednesday, 5 June 2019 (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 an initial term of three years commencing from the Listing Date, and have subsequently signed appointment letters with the Company on 5 June 2019 for a term of three years commencing on 19 May 2019 after their retirement and re-election at the 2019 AGM.

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. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng will retire at the annual general meeting to be held on Friday, 18 June 2021 (the "**2021 AGM**"), and, being eligible, offer themselves for re-election at the 2021 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 2020, each Director namely Mr. Dong Jinggui, Ms. Qian Jinghong, 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 refreshed their knowledge and skills in respect of the Listing Rules and relevant statutory requirements 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 2020 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)*	7/7	1/1	–	–	1/1
Ms. Qian Jinghong *(Chief executive officer)*	7/7	1/1	–	–	1/1
Mr. Shen Yu	7/7	–	–	–	1/1
Non-executive Director					
Mr. Zhang Yiyin	7/7	1/1	1/1	6/6	1/1
Independent Non-executive Directors					
Mr. Li Zongwei	7/7	1/1	–	6/6	1/1
Mr. Wu Biguang	7/7	1/1	1/1	6/6	1/1
Mr. Yao Naisheng	7/7	1/1	1/1	6/6	1/1
Mr. Wong Lung Ming	6/7	1/1	1/1	5/6	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. 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 president 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 2020.

The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors 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, 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, reappointment and removal of the Directors and succession planning for the Directors. The Nomination Committee also reviews the Board diversity policy (the "**Board Diversity Policy**") adopted by the Board on 22 April 2016 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).

For the year ended 31 December 2020, the Nomination Committee held one meeting to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the 2021 AGM.

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 8 to the consolidated financial statements. The remuneration paid to the senior management of the Company (exclusive of Directors) for the year ended 31 December 2020 was within the range below:

Range of Remuneration	No. of Person
Nil to HKD1,000,000	–
HKD1,000,001 to HKD1,500,000	3
HKD1,500,001 to HKD2,000,000	3
HKD2,000,001 to HKD3,000,000	2

For the year ended 31 December 2020, the Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration policy and the remuneration packages of executive Directors and senior management, the terms of service contracts as well as other related matters.

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 2020.

For the year ended 31 December 2020, the Audit Committee held six 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 2020;

(ii) the interim results announcement of the Group for the six months ended 30 June 2020; and

(iii) the interim report of the Company for the six months ended 30 June 2020.

(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 2020 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 2020 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.

The Board's annual review of the Company's corporate governance practices for the year ended 31 December 2020 has covered the aforesaid matters.

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 2020.

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 67 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 67 to page 68 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 2020 is set out below:

Service Category	Fee paid/payable RMB'000
Audit services	**3,050**
Non-audit services (tax services)	**1,200**
Total	**4,250**

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 organized 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 categorize 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 prioritize risks so that the most important risks can be identified and dealt with. Based on both qualitative and quantitative analyses, we prioritize 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 2020, 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 programs and budget of the Company in relation to the accounting and financial reporting functions, and will further review and assess such systems at least once each year..

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 programs 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 2020, 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 company secretarial 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 2020. The biographical details of Mr. Shen Yu and Ms. Lam Yuk Ling are set out on page 52 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 2020, 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 fulfill their social responsibilities by proactively implementing practices and policies in relation to the ESG issues. Pursuant to the Reporting Guide and 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 13 to page 35 of this annual report.

DIRECTORS & SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. Dong Jinggui (董經貴), aged 52, the spouse of Ms. Qian, 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 recognized 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 Program 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 49, the spouse of Mr. Dong, is the co-founder of the Group and the vice chairman of the Board. 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 Program 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 46, 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 38, 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 (吳泌光), aged 64, was appointed as the independent non-executive Director on 10 December 2014. Mr. Wu is responsible for supervising and providing independent judgment 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 program and the professor-in-charge of the master's program 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 recognized 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), Labor 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 judgment 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 49, was appointed as the independent non-executive Director on 28 August 2015. Mr. Yao is responsible for supervising and providing independent judgment 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 63, 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. He 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 44, 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 engagements.

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 43, 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 recognized 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 program, in January 2014. Mr. Wang completed the Executive Master of Business Administration Program at Tianjin University (天津大學) in June 2018.

Mr. Zhou Chaoyang (周朝陽), aged 38, 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 the Group's 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. Since October 2020, Mr. Zhou has served as the vice president of the Group and is responsible for the work at the Group's technology research centre.

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

Mr. Xue Bo (薛波), aged 47, 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 41, 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.

Mr. Zhou graduated from Zhengzhou University of Light Industry (鄭州輕工業學院) with a bachelor's degree in Electronic and Information Engineering in July 2006. Mr. Zhou graduated from Nanjing University with a bachelor's degree in law in 2007.

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

Mr. Wang Jinlong (王金龍), aged 47, has been the technical supervisor of Yadea Group since October 2014 and is responsible for the operations of our research and development center. 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 center 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 Institute of Chartered Secretaries and Administrators 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 2020.

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 10 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. For environmental policies and performance, please refer to the section headed "Environmental, Social and Governance Report" from page 13 to page 35 in 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 2020 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 13 to page 35 in this annual report.

SUBSIDIARIES

Please refer to note 10 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2020 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 2020 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 2020, distributable reserves of the Group amounted to RMB3,336 million. Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 73 of this annual report.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of 19.0 HK cents per ordinary Share for the year ended 31 December 2020 (the "**Proposed Final Dividend**") (for the year ended 31 December 2019: nil). The Proposed Final Dividend is subject to the approval of the Shareholders at the forthcoming 2021 AGM and the Proposed Final Dividend will be paid on Tuesday, 10 August 2021 to Shareholders whose names appear on the register of members of the Company on Friday, 16 July 2021.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Friday, 18 June 2021. Notice of the 2021 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 2021 AGM, the register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021, both dates inclusive, during which time no transfer of Shares will be registered. To qualify for attending and voting at the 2021 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 Friday, 11 June 2021 for registration of the relevant transfer.

For determining the entitlement of Shareholders to receive the Proposed Final Dividend, the register of members of the Company will be closed from Wednesday, 14 July 2021 to Friday, 16 July 2021, both dates inclusive, during which period no transfer of Shares will be registered. In order to eligible to receive the Proposed Final Dividend, all transfer of Shares, accompanied by the relevant shares certificates, must be lodged with 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 Tuesday, 13 July 2021 for registration of the relevant transfer.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2020 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 34 to the consolidated financial statements. For the year ended 31 December 2020, there was no issuance of bonds by the Company.

BUSINESS REVIEW

The Group is 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 18 years, the Group has successfully established "Yadea" as a premium brand of electric two-wheeled vehicles in the PRC. Under the "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. The Group's domestic network covered almost every administrative region of the PRC and consisted of 2,955 distributors as well as their sub-distributors with over 17,000 points of sales as at 31 December 2020. Internationally, the Group made its sale in over 80 countries through its international distribution network.

A review and analysis of the Group's business, results and performance during the year ended 31 December 2020, 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 sections headed "Chairman's Statement" and "Management Discussion and Analysis" from page 7 to page 8 and page 9 to page 12 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 2020.

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 61.8% to approximately RMB19,360.3 million as compared with the year ended 31 December 2019. Our gross profit increased by approximately 47.9% to approximately RMB3,073.2 million as compared with the year ended 31 December 2019. Profit attributable to the owners of the Company increased by approximately 89.6% to approximately RMB957.4 million as compared with the year ended 31 December 2019.

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 2020 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 2020 (RMB million)	Unutilised net proceeds up to 31 December 2020 (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**	**453.7**	**0**	–
Business expansion, including (i) purchases of new automated production equipment and production expansion and (ii) potential mergers and acquisitions;	**272.2**	**159.8**	**112.4**	**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**	**794.9**	**112.4**	

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 87% of the net proceeds had been utilized, 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 2020.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2020 are set out in note 40 to the consolidated financial statements.

The Directors believe that the related party transactions set out in note 40 to the consolidated financial statements do not fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules (as the case may be).

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

The Company has purchased from the market a total of 51,582,000 shares of the Company (the "**Shares**") during the year ended 31 December 2020 for the share award schemes adopted by the Company. Details of the purchases of such Shares were as follows:

Month of purchase	Number of Shares purchased	Price per share Highest (HKD)	Price per share Lowest (HKD)	Aggregate purchase price (HKD)
January 2020	9,622,000	2.35	2.30	22,404,620
March 2020	3,548,000	2.20	2.15	7,727,700
April 2020	10,390,000	2.24	2.15	22,770,760
May 2020	13,332,000	4.11	3.67	51,369,440
June 2020	6,288,000	5.50	3.80	29,702,996
July 2020	8,212,000	6.57	5.38	50,359,476
December 2020	190,000	14.94	14.78	2,819,400
Total	51,582,000			187,154,432

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 (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 2020.

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 2020.

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 *(Chief executive officer)* Mr. Shen Yu
Non-executive Director:	Mr. Zhang Yiyin
Independent Non-executive Directors:	Mr. Li Zongwei Mr. Wu Biguang Mr. Yao Naisheng Mr. Wong Lung Ming

In accordance with the Articles of Association, Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng will retire at the 2021 AGM to be held on Friday, 18 June 2021 and, being eligible, offer themselves for re-election at the 2021 AGM.

None of the Directors proposed for re-election at the forthcoming 2021 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

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. According to the Articles of Association, each of Mr. Dong Jinggui, Ms. Qian Jinghong and Mr. Shen Yu retired at the 2020 AGM, and being eligible, offered themselves for re-election at the 2020 AGM. They were all re-elected as executive Directors at the 2020 AGM.

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, 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 2020.

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 2020, 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 Model Code for Securities Transactions by Directors of Listed Issuers (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 Company's total issued Share capital of 2,995,000,000 Shares as at 31 December 2020.

(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 Wei	**100**	**100.00%**
Ms. Qian Jinghong	Fang Yuan	**100**	**100.00%**

Save as disclosed above, as at 31 December 2020, 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 2020 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 2020, 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 Company's total issued share capital of 2,995,000,000 Shares as at 31 December 2020.

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**"), representing 10.02% 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 of the Company.

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 2020 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 2020 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. As at the date of this annual report, the remaining life of the Share Option Scheme is approximately 5 years.

SHARE AWARD SCHEME

(i) First Share Award Scheme

On 26 December 2018 (the "**First 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 First 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 First 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 HK$5,000,000 (based on the closing price of the Shares on the business day immediately preceding the date of award).

For further details on the First Share Award Scheme, please refer to the announcement of the Company dated 27 December 2018 and note 34 of the consolidated financial statements of this annual report.

(ii) Second and Third Share Award Schemes

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

The purposes and objectives of the Second and Third Share Award Schemes are to (i) complement the First Share Award Scheme 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 Schemes which will result in the number of Shares granted under the respective share award schemes exceeding 10% 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 "**Third 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 Third 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 Third 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 Third Adoption Date.

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

During the year ended 31 December 2020, the Company contributed RMB170,165,000 for financing purchases of 51,582,000 Shares, which are currently held under the First Share Award Scheme, Second and Third Share Award Schemes and Fourth Share Award Scheme. No share awards under each scheme have been granted since the First Adoption Date, Second Adoption Date and Third Adoption Date.

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 8 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 27.2% and the largest supplier accounted for approximately 9.8% of the Group's total purchases for the year ended 31 December 2020.

At no time during the year ended 31 December 2020 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 2020 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 PricewaterhouseCoopers.

On 24 July 2020, Deloitte Touche Tohmatsu resigned as the auditor of the Company and on 25 August 2020, PricewaterhouseCoopers was appointed as the new auditor of the Company to fill the casual vacancy and to hold office until the conclusion of the forthcoming 2021 AGM.

PricewaterhouseCoopers will retire at the forthcoming 2021 AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming 2021 AGM to reappoint PricewaterhouseCoopers as the external auditor of the Company.

On behalf of the Board
Dong Jinggui
Chairman

29 March 2021

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Yadea Group Holdings Ltd.
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Yadea Group Holdings Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 69 to 138, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated statement of financial position of the Group as at 31 December 2020, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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 matter identified in our audit is related to revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to notes 2.7 and 5 to the consolidated financial statements. The Group recognised revenue of RMB19,360 million from the sales of electric vehicles and related accessories to its customers, mainly distributors, during the year ended 31 December 2020. Significant effort was spent on auditing the revenue recognized by the Group because of the large number of the distributors and volume of transactions, as well as the large volume of considerations made to the distributors in the form of discounts or refunds under customer contracts with distributors, which is generally recorded as a reduction of revenue. Therefore, we identified revenue recognition as a key audit matter.	Our procedures to address this key audit matter included: • Understanding, evaluating and testing key internal controls over revenue recognition; • Evaluating the appropriateness of accounting policies of revenue recognition by examining the key terms of customer contracts on a sample basis and testing revenue transactions on a sample basis to the supporting documents, including the underlying goods receipt notes signed by customers and invoices; • Testing the basis of calculation of the considerations made to distributors by checking the amounts or percentage of discounts or refunds to the respective customer contracts and examining the relevant invoices on a sample basis; • Confirming the revenue for the year ended 31 December 2020 with customers on a sample basis; • Performing revenue cut-off test, including examining the goods receipt notes signed by customers right before and after the balance sheet date. Based on the procedures performed, we found the revenue recorded to be supportable by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 the Audit Committee 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.

The Audit Committee is 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. We report our opinion solely to you, as a body, 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 judgment and maintain professional scepticism 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.

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

- 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.

- 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 the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 this independent auditor's report is Jack Li.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000 (restated)
Revenue	5	**19,360,315**	11,968,238
Cost of sales	7	**(16,287,085)**	(9,890,101)
Gross profit		**3,073,230**	2,078,137
Selling and distribution expenses	7	**(934,911)**	(792,800)
Administrative expenses	7	**(597,480)**	(484,173)
Research and development costs	7	**(605,224)**	(386,137)
Other income and gains – net	6	**258,085**	187,405
Operating profit		**1,193,700**	602,432
Finance costs	9	**(4,550)**	(2,216)
Share of losses of investments accounted for using the equity method	17	**(2,373)**	–
Profit before income tax		**1,186,777**	600,216
Income tax expense	11	**(227,488)**	(91,524)
Profit for the year		**959,289**	508,692
Profit for the year attributable to:			
Owners of the Company		**957,389**	504,833
Non-controlling interests		**1,900**	3,859
		959,289	508,692
Earnings per share			
– Basic (cents per share)	12	**33.4**	17.1
– Diluted (cents per share)	12	**32.8**	17.1

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December **2020** **RMB'000**	 2019 RMB'000 (restated)
Profit for the year		**959,289**	508,692
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value gain on an investment in equity instruments at fair value through other comprehensive income		**(89)**	3,426
Exchange difference on translation from functional currency to presentation currency		**(31,136)**	80,897
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(5,929)**	(67,845)
Other comprehensive income for the year, net of income tax		**(37,154)**	16,478
Total comprehensive income for the year		**922,135**	525,170
Total comprehensive income attributable to:			
Owners of the Company		**920,235**	521,311
Non-controlling interests		**1,900**	3,859
		922,135	525,170

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2020

(All amounts in RMB unless otherwise stated)

	Note	As at 31 December 2020 RMB'000	2019 RMB'000 (restated)	As at 1 January 2019 RMB'000 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	13	**1,499,772**	1,242,263	1,163,301
Right-of-use assets	14	**492,713**	326,347	334,724
Intangible assets	15	**57,113**	17,619	14,862
Investments accounted for using the equity method	17	**3,076**	–	–
Equity investments at fair value through other comprehensive income	18	**20,519**	18,731	15,305
Prepayments, deposits and other receivables	23	**302,512**	76,976	–
Prepayment for acquisition of property, plant and equipment and right-of-use assets	23	**48,712**	127,620	38,440
Deferred income tax assets	24	**46,047**	12,919	2,243
Other long-term asset	25	**172,127**	45,752	82,166
Total non-current assets		**2,642,591**	1,868,227	1,651,041
Current Assets				
Inventories	20	**680,246**	638,935	259,493
Trade receivables	19	**377,146**	181,874	278,079
Prepayments, deposits and other receivables	23	**329,812**	387,220	572,628
Wealth management products and structured deposits	21	**3,962,963**	3,582,866	1,967,487
Equity investment at fair value through profit or loss	22	**45,000**	–	–
Debt instruments at fair value through other comprehensive income	26	**349,180**	167,318	79,024
Pledged bank deposits	27	**4,108,483**	1,244,267	987,530
Term deposits with initial term over 3 months	28	**100,000**	–	–
Cash and cash equivalents	29	**3,420,934**	2,636,553	1,973,390
Total current assets		**13,373,764**	8,839,033	6,117,631
Total assets		**16,016,355**	10,707,260	7,768,672

	Note	As at 31 December 2020 RMB'000	2019 RMB'000 (restated)	As at 1 January 2019 RMB'000 (restated)
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	24	**26,181**	–	–
Lease liabilities	14	**53,689**	35,442	40,022
Other non-current liability	30	**97,671**	–	–
Total non-current liabilities		**177,541**	35,442	40,022
Current Liabilities				
Trade and bills payables	31	**10,786,030**	6,858,431	4,580,419
Other payables and accruals	32	**920,268**	503,071	315,939
Contract liabilities	33	**364,139**	147,266	48,600
Lease liabilities	14	**22,819**	10,998	8,535
Income tax liabilities		**142,715**	84,570	20,209
Total current liabilities		**12,235,971**	7,604,336	4,973,702
Total liabilities		**12,413,512**	7,639,778	5,013,724
Net Assets		**3,602,843**	3,067,482	2,754,948
EQUITY				
Share capital	34	**187**	187	188
Share premium and reserves		**3,589,312**	3,055,851	2,747,175
Equity attributable to Owners of the Company		**3,589,499**	3,056,038	2,747,363
Non-controlling interests		**13,344**	11,444	7,585
Total Equity		**3,602,843**	3,067,482	2,754,948

The financial statements on page 69 to 138 were approved for issue by the Board of Directors on 29 March 2021 and were signed on its behalf.

DIRECTOR
Jinggui Dong

DIRECTOR
Jinghong Qian

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB unless otherwise stated)

	Attributable to Owners of the Company											
	Share capital RMB'000	Merger reserve RMB'000	Share premium account RMB'000	Statutory reserve RMB'000	FVTOCI reserve RMB'000	Treasury shares RMB'000	Translation reserve RMB'000	Share award reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	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
Correction of errors (net of tax)	–	–	–	–	–	–	–	–	(64,770)	(64,770)	–	(64,770)
At 1 January 2019 (restated)	188	(121,024)	759,036	163,197	1,237	(17,607)	32,764	75,574	1,853,998	2,747,363	7,585	2,754,948
Comprehensive income												
Profit for the year (restated)	–	–	–	–	–	–	–	–	504,833	504,833	3,859	508,692
Other comprehensive income for the year, net of income tax	–	–	–	–	3,426	–	13,052	–	–	16,478	–	16,478
Total comprehensive income	–	–	–	–	3,426	–	13,052	–	504,833	521,311	3,859	525,170
Transactions with Shareholders in their capacity as owners												
Dividends provided for or paid (Note 35)	–	–	(105,672)	–	–	–	–	–	–	(105,672)	–	(105,672)
Profit appropriations to statutory reserves	–	–	–	14,097	–	–	–	–	(14,097)	–	–	–
Repurchase of shares for share award scheme (Note 34)	–	–	–	–	–	(99,135)	–	–	–	(99,135)	–	(99,135)
Repurchase and cancellation of ordinary shares	(1)	–	(7,828)	–	–	–	–	–	–	(7,829)	–	(7,829)
Forfeiture of share award (Note 34)	–	–	–	–	–	–	–	(36,887)	36,887	–	–	–
At 31 December 2019 (restated)	187	(121,024)	645,536	177,294	4,663	(116,742)	45,816	38,687	2,381,621	3,056,038	11,444	3,067,482
At 1 January 2020	**187**	**(121,024)**	**645,536**	**177,294**	**4,663**	**(116,742)**	**45,816**	**38,687**	**2,381,621**	**3,056,038**	**11,444**	**3,067,482**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**957,389**	**957,389**	**1,900**	**959,289**
Other comprehensive income for the year, net of income tax	**–**	**–**	**–**	**–**	**(89)**	**–**	**(37,065)**	**–**	**–**	**(37,154)**	**–**	**(37,154)**
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**(89)**	**–**	**(37,065)**	**–**	**957,389**	**920,235**	**1,900**	**922,135**
Transactions with Shareholders in their capacity as owners												
Dividends provided for or paid (Note 35)	**–**	**–**	**(266,092)**	**–**	**–**	**–**	**–**	**–**	**–**	**(266,092)**	**–**	**(266,092)**
Employee share schemes – value of employee services (Note 34)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**49,483**	**–**	**49,483**	**–**	**49,483**
Repurchase of shares for share award scheme (Note 34)	**–**	**–**	**–**	**–**	**–**	**(170,165)**	**–**	**–**	**–**	**(170,165)**	**–**	**(170,165)**
Profit appropriations to statutory reserves	**–**	**–**	**–**	**3,444**	**–**	**–**	**–**	**–**	**(3,444)**	**–**	**–**	**–**
At 31 December 2020	**187**	**(121,024)**	**379,444**	**180,738**	**4,574**	**(286,907)**	**8,751**	**88,170**	**3,335,566**	**3,589,499**	**13,344**	**3,602,843**

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	**2,393,810**	2,845,820
Income tax paid		**(176,290)**	(27,163)
Net cash generated from operating activities		**2,217,520**	2,818,657
Cash flows from investing activities			
Interest received from bank deposits	6	**20,211**	28,507
Purchases of property, plant and equipment and other long-term asset		**(565,970)**	(457,872)
Purchases of land use rights		**(104,775)**	–
Proceeds from disposal of property, plant and equipment		**6,957**	7,147
Proceeds from disposal of intangible assets		**2,267**	–
Purchase of intangible assets		**(61,398)**	(11,881)
Redemption of wealth management products and structured deposits		**68,881,419**	39,687,324
Purchase of wealth management products and structured deposits		**(69,238,760)**	(41,364,686)
Interest received from wealth management products and structured deposits		**194,340**	123,601
Purchase of investments measured at fair value through profit or loss		**(45,000)**	–
Payment for term deposits with initial term of over 3 months		**(100,000)**	–
Purchase of investments accounted for using the equity method	17	**(5,449)**	–
Purchase of equity instruments at fair value through other comprehensive income		**(3,000)**	–
Loans to third parties	23	**(16,832)**	–
Net cash used in investing activities		**1,035,990**	(1,987,860)
Cash flows from financing activities			
Borrowing	30	**97,671**	–
Dividends paid to the Company's owners	35	**(264,219)**	(105,672)
Repurchase of shares	34(b)	**(170,165)**	(106,964)
Repayments of lease liabilities		**(22,001)**	(13,974)
Net cash used in financing activities		**(358,714)**	(226,610)
Net increase in cash and cash equivalents		**822,816**	604,187
Cash and cash equivalents at beginning of the year		**2,636,553**	1,973,390
Effect of foreign exchange rate changes		**(38,435)**	58,976
Cash and cash equivalents at end of the year		**3,420,934**	2,636,553

1 GENERAL INFORMATION

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 Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal 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").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with HKFRS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The Group has restated certain figures in the comparative information presented. Detailed description of the nature of the restatements has been set out in Note 39.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

(c) New amendments and interpretation adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting
- COVID-19-related Rent Concessions – amendments to HKFRS 16

These amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 2.2(c) below), after initially being recognised at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in OCI. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

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.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other income and gains – net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss ("FVTPL") are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in OCI.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position

- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in OCI. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.7 Revenue recognition

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Revenue recognition (Continued)

The Group identified one performance obligation which is to sell products to the Group's distributors or directly to customers. Revenue of product sales is recognized on a gross basis upon the satisfaction of its performance obligation, which is to transfer the control of the promised products to customers.

The transfer of control of the products is satisfied at a point in time, which occurs when the products are accepted by the distributors or customers. When the Group sells its products to its distributors, third-party e-commerce platforms or offline customers, acceptance of the products is evidenced by goods receipt notes signed by the distributors, third-party e-commerce platforms or offline customers, which is generally at the Group's warehouse, while for e-commerce platforms, it is e-commerce platforms' warehouse. When the Group sells its products to individual customers through its own online store, the Group is responsible for the delivery to individual customers. Acceptance of the products is evidenced by goods receipt notes signed by individual customers.

The Group provides sales volume rebate to distributors based on the volume sold to such distributors in a certain period.

Revenues are measured at the amount of consideration the Group expects to receive in exchange for transferring products to the distributors or customers. Consideration is recorded net of sales volume rebate, sales returns and VAT. Sales returns are estimated based on historical experiences, which were insignificant for the years ended 31 December 2019 and 2020.

Full payment is typically required from distributors of the Group before acceptance of the products, except for some distributors with credit period. The credit terms generally vary from 15 days to 90 days from the date of billing.

2.8 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Interest income

Interest incomes from financial assets are recognised in profit or loss as part of other income and gains – net, see Note 6 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.11 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- 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 that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, eg. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipments, vehicles and buildings, and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipments and small items of office furniture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	2.17% to 4.75%
Plant and machinery	9.50% to 19.00%
Motor vehicles	9.50% to 23.75%
Office equipment	19.00% to 31.67%
Other equipment	9.50% to 31.67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.14).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

2.13 Intangible assets

Intangible assets include softwares and patents.

Separately acquired softwares and patents are shown at historical cost. These assets have finite useful lives, and are measured at costs less accumulated amortisation. 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.

Softwares	9.50% to 31.67%
Patents	31.67%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Investments and other financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and gains – net together with foreign exchange gains and losses. Impairment losses are presented in administrative expenses in the consolidated statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and gains – net. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and gains – net and impairment expenses are presented in administrative expenses in the consolidated statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income and gains – net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income and gains – net in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Investments and other financial assets (Continued)

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1 for further details.

2.16 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 3.1 for a description of the Group's impairment policies.

Other receivables are amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained. The non-current other receivables are due and payable within one year from the end of the reporting period.

2.18 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.19 Share capital

Ordinary shares are classified as equity (Note 34). Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

2.20 Trade and bills payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The trade payables are unsecured and are usually paid within 90 days of recognition and the bills payables are secured and are usually paid within 180 days of recognition. Trade and bills payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Post-employment obligations

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

(iii) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees and consultants as consideration for equity instruments (restricted share units) of the Group. The fair value of the employee services received in exchange for the grant of Restricted Share Units ("RSUs") is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of RSUs granted:

– excluding the impact of any service and non-market performance vesting conditions, and

– including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of RSUs that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

Service conditions are included in assumptions about the number of RSUs that are expected to vest. The total expense is recognised over the vesting period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees or consultants may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Provisions

Provisions for legal claims and service warranties are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Under the Group's standard contract terms with both distributors and suppliers, suppliers are responsible for all replacement and repairment of damaged products that are with warranty. As a result, no provisions are recognized for the warranties under the sales arrangements between the Group and the distributors. For the warranties provided by the Group to the sales of products to other online and offline customers, the estimated provisions are insignificant as of 31 December 2019 and 2020.

2.23 Dividends

Dividends are made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.24 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange 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	
	31/12/2020 RMB'000	31/12/2019 RMB'000
USD	**236,506**	247,010

The sensitivity of profit or loss to changes in the exchange rates arises mainly from RMB-dollar denominated financial instruments.

	Impact on profit after tax	
	2020 Increase/ (decrease) RMB'000	2019 Increase/ (decrease) RMB'000
RMB – USD		
Appreciation of RMB by 5%	**(10,633)**	(10,270)
Depreciation of RMB by 5%	**10,633**	10,270

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group's interest rate risk primarily arose from pledged bank deposits (Note 27), term deposits with initial term over 3 months (Note 28) and cash and cash equivalents (Note 29). Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

If the interest rate of pledged bank deposits, term deposits with initial term over 3 months and cash and cash equivalents had been 10 percent higher/lower, the profit before income tax for the year ended December 31, 2020 would have been approximately RMB9,016,000 (2019: RMB2,969,000) higher/lower.

(b) Price risk

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

(c) 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, deposits and other receivables wealth management products and structured deposits, debt instruments at FVTOCI, pledged bank deposits, term deposits with initial term over 3 months and cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its financial assets.

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk and impairment assessment (Continued)

(i) Impairment of 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, is summarised as below:

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 actions are 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 of recurring customers and ageing of the new customers.

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.

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk and impairment assessment (Continued)

(i) Impairment of financial assets (Continued)

Trade receivables (Continued)

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**(2,306)**	(2,306)
Provision for doubtful receivables	**(2,107)**	–
At the end of the year	**(4,413)**	(2,306)

Other receivables

Other receivables mainly comprise deposits and others. For other receivables the Directors make periodic individual assessment on the recoverability 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 is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2020 and 2019, the Group assessed and concluded the ECL for other receivables was insignificant and thus no loss allowance was recognised.

Wealth management products and structured deposits at amortised cost/pledged bank deposits/ term deposits with initial term over 3 months/cash and cash equivalents

Credit risk on wealth management products and structured deposits at amortised cost/pledged bank deposits/cash and cash equivalents is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for wealth management products and structured deposits at amortised cost/pledged bank deposits/term deposits with initial term over 3 months/cash and cash equivalents 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 wealth management products and structured deposits at amortised cost/pledged bank deposits/term deposits with initial term over 3 months/cash and cash equivalents is considered to be insignificant.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk and impairment assessment (Continued)

(i) Impairment of financial assets (Continued)

Debt investments at FVTOCI

Debt investments at FVTOCI are notes receivable.

There is no loss allowance for debt investments at FVTOCI as at 31 December 2020 and 2019.

(d) 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.

	On demand or less than 1 year RMB'000	1-2 years RMB'000	>2 years RMB'000	Total undiscounted cash flows RMB'000
At 31 December 2020				
Trade and bills payables	**10,786,030**	**–**	**–**	**10,786,030**
Other payables and accruals*	**645,151**	**–**	**–**	**645,151**
Lease liabilities	**22,850**	**18,174**	**45,579**	**86,603**
Other non-current liability	**–**	**–**	**97,671**	**97,671**
	11,454,031	**18,174**	**143,250**	**11,615,455**
At 31 December 2019				
Trade and bills payables	6,858,431	–	–	6,858,431
Other payables and accruals (restated)*	353,103	–	–	353,103
Lease liabilities	13,073	10,737	30,830	54,640
	7,224,607	10,737	30,830	7,266,174

* Excluding staff costs and welfare accruals and other taxes.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital, share premium and other reserves on an as-if converted basis) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company's shares. In the opinion of the Directors of the Company, the Group's capital risk is low.

The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

3.3 Fair value estimation

this section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The following table presents the Group's assets are measured at fair value as of 31 December 2020 and 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020				
Wealth management products and structured deposits at FVTPL	**–**	**3,962,963**	**–**	**3,962,963**
Equity investment at FVTPL	**–**	**–**	**45,000**	**45,000**
Equity instrument at FVTOCI	**–**	**–**	**20,519**	**20,519**
Debt instrument at FVTOCI	**–**	**349,180**	**–**	**349,180**
Total	**–**	**4,312,143**	**65,519**	**4,337,662**
As at 31 December 2019				
Wealth management products and structured deposits at FVTPL	–	3,432,866	–	3,432,866
Equity instrument at FVTOCI	–	–	18,731	18,731
Debt instrument at FVTOCI	–	167,318	–	167,318
Total	–	3,600,184	18,731	3,618,915

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The valuation technique is discounted cash flows that reflects the credit risk of various counterparties.

(c) Financial instruments in level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

Level 3 instruments of the Group's assets and liabilities include equity instrument at FVTOCI.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements of the short-term and long-term investments as of 31 December 2020 and 2019.

Description	Fair Values As of 31 December		Valuation techniques	Significant unobservable inputs	Range of inputs As of 31 December		Relationship of unobservable inputs to fair values
	2020	2019			**2020**	2019	
Equity instrument at FVTOCI	**20,519**	18,731	Market approach	Discount for lack of marketability ("DLOM")	**40%**	40%	The higher the DLOM, the lower the fair value.
Equity investment at FVTPL	**45,000**	–	Note 22	–	**–**	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 items for the periods ended 31 December 2019 and 2020:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**18,731**	15,305
Addition in the current year	**48,000**	–
Fair value change recognised in OCI	**(89)**	3,426
Currency translation difference	**(1,123)**	–
At the end of the year	**65,519**	18,731

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates

Deferred income tax assets

As at 31 December 2020, a deferred income tax asset of RMB46,047,000 (2019: RMB12,919,000) has been recognised in the Group's consolidated statement of financial position. The reliability of the deferred income 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 income 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 income tax assets are disclosed in Note 24.

5 REVENUE AND SEGMENT INFORMATION

5.1 Disaggregation of revenue from contract with customers

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Types of goods		
Electric scooters	**8,659,503**	6,393,253
Electric bicycles	**5,840,153**	2,837,816
Batteries and chargers	**4,532,919**	2,623,746
Electric two-wheeled vehicle parts	**327,740**	113,423
	19,360,315	11,968,238
Timing of revenue recognition		
At point in time	**19,360,315**	11,968,238

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.

5.2 Segment information

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 the PRC and over 90% of the Group's non-current assets and liabilities were located in the PRC, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

6 OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Other income		
Government grants	**84,717**	40,387
Bank interest income	**20,211**	28,507
Others	**16,632**	5,164
	121,560	74,058
Other gains		
Net fair value gains on financial assets at FVTPL	**186,285**	112,140
Net foreign exchange (loss)/gain	**(4,098)**	464
Net (loss)/gain on disposal of property, plant and equipment and intangible assets	**(11,077)**	743
Donations	**(27,241)**	–
Others	**(7,344)**	–
	136,525	113,347
	258,085	187,405

7 EXPENSE BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
		(restated)
Raw materials and consumables used	**15,907,131**	9,956,559
Employee benefits expenses	**982,781**	427,111
Freight expenses	**288,468**	147,182
Advertising expenses	**281,937**	264,339
Outsourcing labor fee	**158,354**	108,258
Outsourcing processing fee	**108,808**	3,494
Depreciation of property, plant and equipment	**108,162**	87,681
Travelling and transportation expenses	**104,233**	99,901
Consulting and professional service expenses	**100,142**	148,403
Amortisation of other long-term assets	**66,028**	50,609
Product design fee	**45,223**	33,123
Depreciation of right-of-use assets	**26,400**	18,018
Amortisation of intangible assets	**19,627**	7,000
Short-term and low-value lease	**5,461**	1,495
Auditor's remuneration	**4,250**	3,698
– Audit services	**3,050**	3,050
– Non-audit services	**1,200**	648
Other expenses	**217,695**	196,340
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	**18,424,700**	11,553,211

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2020 RMB'000	2019 RMB'000 (restated)
Wages, salaries and bonuses	**824,756**	461,836
Defined contribution plans (a)	**15,952**	21,232
Other social security costs, housing benefits and other employee benefits	**92,590**	52,301
Share-based compensation expenses (Note 34)	**49,483**	–
	982,781	535,369

(a) Defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage (16%, 16%, 14% and 13% for Jiangsu Province, Tianjin City, Zhejiang Province and Guangdong Province, respectively) of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees and the Group has no further obligations for the actual payment of pensions or post-retirements benefits beyond these contributions.

(b) Directors' emoluments

	For the year ended 31 December 2020			
	Fees RMB'000	Salaries and other allowance RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive director:				
Ms. Jinghong Qian	–	838	76	914
Mr. Jinggui Dong	–	2,761	70	2,831
Mr. Yu Shen	–	796	15	811
Independent non-executive directors:				
Mr. Biguang Wu	252	–	–	252
Mr. Zongwei Li	252	–	–	252
Mr. Naishen Yao	252	–	–	252
Mr. Wong, Lung Ming	252	–	–	252
Non-executive directors:				
Mr.Yi Yin Zhang	252	–	–	252
	1,260	4,395	161	5,816

8 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Directors' emoluments (Continued)

	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 (ii)	–	748	22	770
Mr. Yu Shen	–	520	18	538
Independent non-executive directors:				
Mr. Biguang Wu	269	–	–	269
Mr. Zongwei Li	179	–	–	179
Mr. Naishen Yao	269	–	–	269
Mr. Wong, Lung Ming (iii)	179	–	–	179
Non-executive directors:				
Mr.Yi Yin Zhang	269	–	–	269
	1,165	5,249	265	6,679

(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. Rui Shi resigned from his position as an executive Director with effect from 26 November 2019.

(iii) Mr. Wong, Lung Ming was appointed as an executive director of the Company with effect from 29 April 2019.

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.

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 RMB1,525,903 (2019: RMB2,028,000).

8 EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2019: nil) directors whose emoluments are reflected in the analysis shown in Note 8(b). The emoluments payable to the remaining four (2019: five) individuals during the years are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**6,317**	7,842
Pension scheme contributions and social welfare	**70**	117
	6,387	7,959

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
HKD1,000,001 to HKD1,500,000	**–**	2
HKD1,500,001 to HKD2,000,000	**2**	2
HKD2,000,001 to HKD3,000,000	**2**	1
	4	5

9 FINANCE COSTS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
– Interest charges for lease liabilities (Note 14)	**3,328**	2,216
– Other interest expenses (Note 30)	**1,222**	–
	4,550	2,216

10 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiaries	Place and date of registration and place of operations	Issued shares/ registered capital	Paid up capital	Proportion of ownership interest and voting power 31 December 2020	2019	Principal activities
Yadea Group Management Holdings Limited	British Virgin Islands, 17 July 2014	USD100	–	**100%**	100%	Investment holding
信澤環球有限公司 (TRUE VANTAGE GLOBAL LIMITED)	Republic of Seychelles, 28 April 2011	USD1,000	USD1,000	**100%**	100%	Investment holding
豪駿集團有限公司 (REGAL TALENT HOLDINGS LIMITED)	Hong Kong, 2 December 2010	HKD10,000	HKD10,000	**100%**	100%	Investment holding
Yadea HK Holdings Limited	Hong Kong, 5 August 2014	HKD100	–	**100%**	100%	Investment holding
YADEA (EUROPE) TECHNOLOGY GMBH	Germany, 4 September 2019	EUR1,000,000	EUR1,000,000	**100%**	100%	Sale of electric vehicles and accessories
無錫雅迪諮詢有限公司* (Wuxi Yadea Consulting Co., Ltd.)*	Wuxi, the PRC, 30 June 2014	RMB1,000,000	RMB1,000,000	**100%**	100%	Investment holding
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	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	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	RMB510,000	**100%**	100%	Export of electric vehicles and accessories
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	RMB500,000	**100%**	100%	Manufacture and sale of accessories

10 SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of registration and place of operations	Issued shares/ registered capital	Paid up capital	Proportion of ownership interest and voting power 31 December 2020	2019	Principal activities
雅迪科技集團有限公司* (Yadea Technology Group Co., Ltd.)*	Wuxi, the PRC, 17 December 2010	RMB100,000,000	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	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	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	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	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	RMB23,980,000	**100%**	100%	Development, manufacture and sale of electric vehicles and accessories
成都雅迪科技有限公司# (Chengdu Yadea Technology Co., Ltd.)#	Chengdu, the PRC, 4 September 2017	RMB20,000,000	RMB20,000,000	**70%**	70%	Sale of electric vehicles and accessories
重慶雅迪科技有限公司* (Chongqing Yadea Technology Co.,Ltd.)*	Chongqing, the PRC, 5 December 2019	RMB20,000,000	RMB20,000,000	**100%**	100%	Investment holding
重慶雅迪電動車銷售有限公司* (Chongqing Yadea Technology Co.,Ltd.)*	Chongqing, the PRC, 16 January 2020	RMB5,000,000	–	**100%**	100%	Sale of electric vehicles and accessories

10 SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of registration and place of operations	Issued shares/ registered capital	Paid up capital	Proportion of ownership interest and voting power 31 December 2020	2019	Principal activities
上海慕虹投資管理有限公司* (Shanghai Muhong Investment Management Co.,Ltd.)*	Shanghai, the PRC, 12 December 2014	RMB83,000,000	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	RMB20,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and accessories
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%**	100%	E-commerce of electric vehicles and accessories
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	USD1,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and accessories
無錫雅迪企業管理中心(有限合夥)* (Wuxi Yadea Enterprise Management Center LLP)*	Wuxi, the PRC, 18 September 2019	RMB200,000,000	RMB170,200,000	**99.9%**	99.9%	Management consulting
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	USD30,000,000	**100%**	100%	Investment holding

* Wholly foreign owned enterprise established in the PRC
\# Sino-foreign equity joint ventures

11 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, and shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current PRC Enterprise Income Tax	**234,435**	102,200
Deferred income tax (Note 24)	**(6,947)**	(10,676)
Total tax charge for the year	**227,488**	91,524

(a) Cayman Islands income tax

Under the current laws of the Cayman Islands, the Company is not subject to tax on the Company's income or capital gains. In addition, no Cayman Islands withholding tax is imposed upon any payments of dividends.

(b) Hong Kong income tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HKD2 million and 16.5% on any part of assessable profits over HKD2 million for the years presented.

(c) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the years ended 31 December 2020 and 2019, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the year ended 31 December 2020 (2019: 25%) except:

- In 2019, 天津雅迪實業有限公司 (Tianjin Yadea Industry Co., Ltd.) and 浙江雅迪機車有限公司 (Zhejiang Yadea Motorcycle Co., Ltd.) applied the extention of the high-tech certificate original obtained in December 2013. The high-tech certificates have been extended to October 2022. The income tax rate for the year ended 31 December 2020 is 15% (2019: 15%).

- In 2020, 雅迪科技集團有限公司 (Yadea Technology Group Co., Ltd.) and 廣東雅迪機車有限公司 (Guangdong Yadea Motorcycle Co., Ltd.) have applied the extention of the high-tech certificate original obtained in December 2017. The high-tech certificates have been extended to December 2023. The income tax rate for the year ended 31 December 2020 is 15% (2019: 15%).

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

11 INCOME TAX EXPENSE (Continued)

(d) PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax rate. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. In April 2020, Yadea HK Holdings Limited ("Yadea HK") was approved by Inland Revenue Department of Hong Kong Special Administrative Region as a resident of the Hong Kong Special Administration for 2019 and the two succeeding calendar years. Pursuant to such approval, the dividends distributed to Yadea HK from the PRC subsidiaries from 2019 to 2021 would be subject to a withholding tax rate of 5%.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to losses of the consolidated entities as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
		(restated)
Profit before tax	**1,186,777**	600,216
Tax at the statutory tax rate (25%)	**296,694**	150,054
Tax effect of preferential tax rate	**(82,985)**	(40,032)
Tax credit for qualified research and development expenses	**(56,198)**	(26,956)
Withholding tax of appropriation of dividend (i)	**41,044**	–
Tax effect of expenses not deductible for tax purpose and other effects	**20,475**	(240)
Tax effect of tax losses not recognised	**8,458**	8,698
Income tax expense for the year	**227,488**	91,524

(i) Withholding tax of appropriation of dividend

In 2020, the earnings of RMB289,209,000 of the Company's PRC subsidiaries were remitted from their accumulated profits as of 31 December 2019 to Yadea HK, and a withholding tax of RMB14,863,000 was incurred for this distribution.

In March 2021, the Company decided to remit 50% of the annual profits of its PRC subsidiaries to Yadea HK starting from 2020. Accordingly, a withholding tax of RMB26,181,000 was recognised in 2020 for 50% of the PRC subsidiaries' profits for the year ended 31 December 2020 to be distributed. While for the remaining accumulated profits as of 31 December 2019 and the remaining 50% of the profits generated starting from 2020, the Company still intends to permanently reinvest them to further expand its businesses in mainland China in the foreseeable future. As a result, income tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the remaining accumulated profits of the PRC subsidiaries amounting to RMB2,764,428,000 as at 31 December 2020 (31 December 2019: RMB2,532,305,000).

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue during each period.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
		(restated)
Profit attributable to Owners of the Company (RMB'000)	**957,389**	504,833
Weighted average number of ordinary shares in issue (thousand shares)	**2,863,176**	2,955,469
Basic earnings per share (in cents/share)	**33.4**	17.1

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended 31 December 2020, the Company has the dilutive potential ordinary shares of RSUs granted to employees. For the RSUs, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding RSUs. The RSUs are assumed to have been fully vested and released from restrictions with no impact on earnings.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
		(restated)
Profit attributable to Owners of the Company arising from (RMB'000)	**957,389**	504,833
Weighted average number of ordinary shares in issue (thousand shares)	**2,863,176**	2,955,469
Adjustments for share based compensation – RSUs (thousand shares)	**55,951**	–
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	**2,919,127**	2,955,469
Diluted earnings per share (in cents/share)	**32.8**	17.1

13 PROPERTY, PLANT AND EQUIPMENT

	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
At 1 January 2020							
Cost	1,115,095	137,273	42,296	47,501	39,805	291,406	1,673,376
Accumulated depreciation	(286,992)	(44,693)	(37,337)	(32,514)	(29,577)	–	(431,113)
Net book amount	828,103	92,580	4,959	14,987	10,228	291,406	1,242,263
Year ended 31 December 2020							
Opening net book amount	828,103	92,580	4,959	14,987	10,228	291,406	1,242,263
Additions	98,096	70,076	10,171	11,054	27,959	317,460	534,816
Transfers	148,854	8,826	–	–	961	(309,762)	(151,121)
Depreciation charge (Note 8)	(67,204)	(26,219)	(2,777)	(6,271)	(5,691)	–	(108,162)
Disposal	(207)	(14,084)	(308)	(2,071)	(1,354)	–	(18,024)
Closing net book amount	1,007,642	131,179	12,045	17,699	32,103	299,104	1,499,772
At 31 December 2020							
Cost	1,358,421	192,239	41,738	54,304	64,643	299,104	2,010,449
Accumulated Depreciation	(350,779)	(61,060)	(29,693)	(36,605)	(32,540)	–	(510,677)
Net book amount	1,007,642	131,179	12,045	17,699	32,103	299,104	1,499,772
At 1 January 2019							
Cost	1,101,732	137,769	38,873	42,395	37,682	157,478	1,515,929
Accumulated depreciation	(225,933)	(38,592)	(35,998)	(27,599)	(24,506)	–	(352,628)
Net book amount	875,799	99,177	2,875	14,796	13,176	157,478	1,163,301
Year ended 31 December 2019							
Opening net book amount	875,799	99,177	2,875	14,796	13,176	157,478	1,163,301
Additions	6,960	3,926	4,037	6,281	5,179	225,146	251,529
Transfers	6,562	6,174	–	–	–	(91,218)	(78,482)
Depreciation charge (Note 8)	(61,080)	(12,862)	(1,924)	(5,603)	(6,212)	–	(87,681)
Disposal	(138)	(3,835)	(29)	(487)	(1,915)	–	(6,404)
Closing net book amount	828,103	92,580	4,959	14,987	10,228	291,406	1,242,263
At 31 December 2019							
Cost	1,115,095	137,273	42,296	47,501	39,805	291,406	1,673,376
Accumulated Depreciation	(286,992)	(44,693)	(37,337)	(32,514)	(29,577)	–	(431,113)
Net book amount	828,103	92,580	4,959	14,987	10,228	291,406	1,242,263

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2020, the application for the property ownership certificates for certain buildings with an aggregate net book value of approximately RMB157,721,000 (2019: RMB10,684,000) 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 2020, certain of the Group's buildings and construction in progress with an aggregate net carrying amount of RMB364,857,000 (2019: RMB368,447,000) were pledged to secure the Group's bills payable.

14 LEASE

(a) Amount recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Right-of-use assets		
Land use rights	**415,351**	279,503
Leased property	**77,362**	46,844
	492,713	326,347
Lease liabilities		
Current	**22,819**	10,998
Non-current	**53,689**	35,442
	76,508	46,440

Additions to the right-of-use assets during the 2020 financial year were RMB166,366,000 (2019: RMB326,347,000).

As at 31 December 2020, certain of the Group's land use rights with an aggregate net carrying amount of RMB78,604,000 (2019: RMB98,521,000) were pledged to secure the Group's bills payable.

14 LEASE (Continued)

(b) Amount recognised in the consolidated statement of profit or loss

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**8,640**	7,454
Leased property	**17,760**	10,564
	26,400	18,018
Interest expense (included in finance costs) (Note 9)	**3,328**	2,216
Expense relating to short-term leases	**5,395**	1,473
Expense relating to leases of low-value assets that are not shown above as short-term leases	**66**	22

The total cash outflow for leases in 2020 was RMB27,396,000 (2019: RMB15,469,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases equipment, vehicles, office furniture, land and buildings. Rental contracts are typically made for fixed periods of 2 months to 20 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2020, certain of the Group's land use rights with an aggregate net carrying amount of approximately RMB78,604,000 (2019: 98,521,000) were pledged to secure the Group's bills payable.

15 INTANGIBLE ASSETS

	Software RMB'000	Patents RMB'000	Total RMB'000
Year ended 31 December 2020			
Cost			
Opening net book amount	**17,619**	**–**	**17,619**
Additions	**17,889**	**43,509**	**61,398**
Amortisation charge (Note 7)	**(10,141)**	**(9,486)**	**(19,627)**
Disposal	**(2,277)**	**–**	**(2,277)**
Closing net book amount	**23,090**	**34,023**	**57,113**
At 31 December 2020			
Cost	**58,648**	**45,509**	**102,157**
Accumulated amortisation	**(35,558)**	**(11,486)**	**(45,044)**
Net book amount	**23,090**	**34,023**	**57,113**
Year ended 31 December 2019			
Cost			
Opening net book amount	12,738	2,124	14,862
Additions	11,881	–	11,881
Amortisation charge (Note 7)	(7,000)	–	(7,000)
Disposal	–	(2,124)	(2,124)
Closing net book amount	17,619	–	17,619
At 31 December 2019			
Cost	43,513	2,000	45,513
Accumulated amortisation	(25,894)	(2,000)	(27,894)
Net book amount	17,619	–	17,619

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial Assets at FVTPL	**4,007,963**	3,432,866
– Wealth management products and structured deposits at FVTPL	**3,962,963**	3,432,866
– Equity investment at FVTPL	**45,000**	–
Financial assets at amortised cost	**8,145,077**	4,334,849
– Cash and cash equivalents	**3,420,934**	2,636,553
– Pledged bank deposits	**4,108,483**	1,244,267
– Wealth management products	**–**	150,000
– Term deposits with initial term over 3 months	**100,000**	–
– Trade receivable	**377,146**	181,874
– Other receivables	**138,514**	122,155
Equity instruments at FVTOCI	**20,519**	18,731
Debt instruments at FVTOCI	**349,180**	167,318
	12,522,739	7,953,764
Financial liabilities		
At amortised cost:		
– Trade and bills payable	**10,786,030**	6,858,431
– Other payables and accruals*	**645,151**	291,513
– Other non-current liability	**97,671**	–
– Lease liabilities	**76,508**	46,440
	11,605,360	7,196,384

* Excluding staff costs and welfare accruals and other taxes.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Associates	**3,076**	–

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**–**	–
Additions	**5,449**	–
Share of loss of investments accounted for using the equity method	**(2,373)**	–
At the end of the year	**3,076**	–

The Company's investments in associates accounted for using equity method are not considered material individually or aggregately during the year ended 31 December 2020.

18 EQUITY INVESTMENTS AT FVTOCI

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Unlisted equity investments	**20,519**	18,731

The above unlisted equity investments represent the Group's equity interests in private entities, one in the United States of America and the other in China. The Directors have elected to designate investments in equity instrument as at FVTOCI because these are strategic investments and the Company considers the measurement at FVTOCI to be more relevant.

During the year, the following gains were recognised in OCI:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
(Loss)/gains recognised in OCI	**(89)**	3,426

19 TRADE RECEIVABLES

	As at 31 December 2020 RMB'000	2019 RMB'000
Trade receivables	**381,559**	184,180
Less: allowance for credit losses	**(4,413)**	(2,306)
	377,146	181,874

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

	As at 31 December 2020 RMB'000	2019 RMB'000
Within 6 months	**369,840**	181,874
over 6 months	**7,306**	–
	377,146	181,874

Details of impairment assessment of trade receivables are set out in Note 3.1.

20 INVENTORIES

	As at 31 December 2020 RMB'000	2019 RMB'000
Raw materials	**358,463**	424,727
Finished goods	**321,783**	214,208
	680,246	638,935

No inventory provision was made for the years ended 31 December 2020 and 2019.

21 WEALTH MANAGEMENT PRODUCTS AND STRUCTURED DEPOSITS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Structured deposits, at FVTPL	**3,853,603**	3,226,312
Wealth management products and structured deposits, at amortised cost	**–**	150,000
Wealth management products, at FVTPL	**109,360**	206,554
	3,962,963	3,582,866

As at 31 December 2020, the Group's wealth management products and structured deposits with a carrying amount of RMB1,340,000,000 (2019: RMB1,881,000,000) were pledged as security for the Group's bills payable.

22 EQUITY INVESTMENT AT FVTPL

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Unlisted equity investment	**45,000**	–

The Group purchased pre-IPO shares of a private company at a consideration of RMB45,000 thousand in November 2020. The ordinary shares of the private company have been listed on capital market since January 2021. The fair value change during the year ended 31 December 2020 was insignificant.

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000 (restated)
Non-current assets		
Advance payments to customers (i)	**262,461**	–
Prepayment for acquisition of property, plant and equipment and land use rights	**48,712**	127,620
Module costs	**18,179**	19,000
Receivable from transfer of shares in investment fund	**16,833**	35,110
Others	**5,039**	22,866
	351,224	204,596
Current assets		
Insurance receivable	**78,686**	24,547
Prepayments for advertising expense	**63,618**	127,992
VAT recoverable	**50,819**	3,093
Module costs	**19,734**	15,079
Prepayments to suppliers	**19,455**	54,326
Receivable from transfer of shares in investment fund	**16,833**	26,873
Loans to third parties	**16,832**	–
Receivable from related party (note 40)	**11,175**	–
Deposits	**4,415**	2,663
Prepayment for patent	**–**	50,000
Others	**48,245**	82,647
	329,812	387,220
	681,036	591,816

(i) Advance payments to customers represent cash paid by the Group to the distributors directly or on behalf of the distributors. The payments are refundable if the distributors are not able to achieve the agreed revenue targets during the measurement periods. Deferred payments to customers are amortized ratably as reduction of revenue over the measurement periods, usually three years.

24 DEFERRED INCOME TAX

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**5,290**	2,787
– to be recovered within 12 months	**40,757**	10,132
	46,047	12,919
Deferred income tax liabilities:		
– to be recovered within 12 months	**(26,181)**	–

(a) Deferred income tax assets

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

	Sales rebate RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019 (restated)	–	2,243	2,243
Credit to profit or loss	10,132	544	10,676
At 31 December 2019 (restated)	10,132	2,787	12,919
Credit to profit or loss	**30,625**	**2,503**	**33,128**
As at December 31 2020	**40,757**	**5,290**	**46,047**

(b) Deferred income tax liabilities

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

	Withholding tax of dividend RMB'000
At 1 January 2019 and 31 December 2019	–
Debit to profit or loss (Note 11)	26,181
At 31 December 2020	**26,181**

24 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities (Continued)

The PRC subsidiaries of the Group had unrecognised tax losses available to offset against future profits as follows:

Year of expiry	31/12/2020 RMB'000	31/12/2019 RMB'000
2021	–	7,196
2022	**14,358**	5,107
2023	**18,272**	40,840
2024	**37,640**	65,762
2025	**16,549**	–
	86,819	118,905

25 OTHER LONG-TERM ASSET

To enhance the customer experience, the Group invested in the distributor point of sales by providing assets and decoration materials to the distributors. The costs of assets are initially capitalised and are subsequently amortised over their estimated beneficial periods.

During the year ended 31 December 2020, the total addition to the other long-term asset was RMB143,575,000. The amortization provided for the year ended 31 December 2020 was RMB66,028,000.

26 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Bills receivable	**349,180**	167,318

As at 31 December 2020, 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 approximately RMB98,289,000 (2019: RMB76,724,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. 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 the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables.

27 PLEDGED BANK DEPOSITS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deposits pledged with banks for bills payable	**4,108,483**	1,244,267

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

28 TERM DEPOSITS WITH INITIAL TERM OVER 3 MONTHS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Term deposits with initial term over 3 months	**100,000**	–

The interest rate for the term deposits of the Group with initial term over 3 months as at 31 December 2020 is 2.25% per annum.

Management considered that the carrying amount of the term deposits with initial term over 3 months approximated their fair value as at 31 December 2020.

29 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	**3,420,934**	2,636,553

Cash and cash equivalents carry interest at market rates of 0.30% to 1.562% (2019: 0.30% to 0.35%) per annum.

30 OTHER NON-CURRENT LIABILITY

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Government financing	**97,671**	–

Other non-current liability represents an interest-free loan of RMB97,671,000 due in July 2025 from local government for the Group's construction of new production facilities. For the year ended 31 December 2020, the Group recognized a gain of RMB1,222,000 for this interest-free loan in other income and the discounting impact of RMB1,222,000 as finance cost.

31 TRADE AND BILLS PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables	**3,134,351**	2,528,916
Bills payable	**7,651,679**	4,329,515
	10,786,030	6,858,431

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 3 months	**3,111,822**	2,495,696
3 to 6 months	**15,337**	9,378
6 to 12 months	**1,101**	2,811
12 to 24 months	**860**	18,935
Over 24 months	**5,231**	2,096
	3,134,351	2,528,916

Trade payables are non-interest-bearing and have an average credit term of 30 to 90 days.

32 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
		(restated)
Deposits from suppliers and distributors	**235,275**	147,676
Accrued expenses	**202,941**	95,497
Staff payroll and welfare payables	**164,803**	111,842
Sales rebate	**163,050**	71,375
Other tax payable	**62,976**	18,982
Tax element of contract liabilities	**47,338**	19,144
Payables for purchase of property, plant and equipment	**26,119**	15,991
Others	**17,766**	22,564
	920,268	503,071

33 CONTRACT LIABILITIES

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Advance from distributors for sales of electric vehicles	**364,139**	147,266

(a) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sales of electric vehicles	**147,266**	48,600

(b) Transaction price allocated to unsatisfied long-term contract

All of the sales and services are for periods of one year or less and the Group does not have material unsatisfied contracts.

34 SHARE CAPITAL

(a) 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		
As at 1 January 2019	3,000,000,000	30
Shares repurchased and cancelled	(5,000,000)	–
As at 31 December 2019 and 2020	**2,995,000,000**	**30**
Equivalent to RMB'000		
As at 31 December 2019 and 2020		**187**

34 SHARE CAPITAL (Continued)

(b) Treasury shares

For the years ended 31 December 2020 and 2019:

	Number of shares		RMB'000	
	2020	2019	**2020**	2019
Treasury shares				
At beginning of year	**97,006,539**	6,780,000	**116,742**	17,607
Shares repurchased/recalled for share award scheme	**51,582,000**	90,226,539	**170,165**	99,135
At end of the year	**148,588,539**	97,006,539	**286,907**	116,742

(c) Share based payment

Share Award Scheme

The Company historically adopted the share award schemes 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. A trust was established under a trust deed entered into by the Company to administer the schemes, 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.

In June 2019, the Group recalled 42,626,539 RSUs, which would be used for the share award schemes.

In 2019 and 2020, the Group repurchased 47,600,000 shares and 51,582,000 shares with consideration of RMB99,135,000 and RMB170,165,000, respectively, from the secondary market. These shares repurchased were used for share award schemes.

34 SHARE CAPITAL (Continued)

(c) Share based payment (Continued)

Share Award Scheme (Continued)

(i) Restricted Share Units ("RSUs")

The following table summarizes certain information in respect of RSUs activity as of 31 December 2020:

	Number of Awards 2020	Weighted Average Grant Date Fair Value Per RSU 2020 RMB
RSUs outstanding, beginning of the year	–	–
Granted (i)	**75,200,000**	**1.13**
RSUs outstanding, end of the year	**75,200,000**	**1.13**

(i) On 9 January 2020, 75,200,000 RSUs have been granted to certain employees under the share award schemes. Pursuant to the vesting schedule, 30% shall vest on the first anniversary after the announcement of annual results date on 29 March 2021, 30% on the second anniversary and the remaining 40% on the third anniversary. The fair value of RSUs granted during the year ended 31 December 2020 was HK$1.27 per share (equivalent to approximately RMB1.13 per share). The fair value of each RSUs at the grant dates was determined by reference to the market price and exercise price of the ordinary share of the Company of HK$1 per share. Vesting of the RSUs is subject to continued employment with the Group.

There was no RSU vested during the year ended 31 December 2020.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2020 RMB'000	2019 RMB'000
RSU granted	**49,483**	–

35 DIVIDENDS

	For the year ended 2020 RMB'000	2019 RMB'000
Final dividends for the year ended 31 December 2019 of 10 HK cents (2018 – final dividend 4.0 HK cents) per fully paid share	**266,092**	105,672

Subsequent to the end of the Reporting Period, a final dividend in respect of the year ended 31 December 2020 of 19.0 HK cents (2019: 10.0 HK cents) per ordinary share, in an aggregate amount of HKD569,050,000 equivalent to RMB478,912,000 (2019: HKD299,209,000, equivalent to RMB266,092,000), has been proposed by the Directors and is subject to approval by the Shareholders in the forthcoming annual general meeting of the Company (the "AGM").

36 CASH FLOW INFORMATION

(a) Cash generated from operations

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000 (restated)
Profit before tax		**1,186,777**	600,216
Adjustments for:			
Finance costs	9	**4,550**	2,216
Bank interest income	9	**(20,211)**	(28,507)
Loss/(gain) on disposal of property, plant and equipment, net	6	**11,077**	(743)
Depreciation of property, plant and equipment	7	**108,162**	87,682
Depreciation of right-of-use assets	7	**26,400**	18,018
Amortisation of other long-term asset	7	**66,028**	63,317
Amortisation of intangible assets	7	**19,627**	7,000
Share results of associates	17	**2,373**	–
Share based compensation	8	**49,483**	–
Other income	6	**(1,222)**	–
Net fair value gains on financial assets at FVTPL	6	**(186,285)**	(112,140)
Operating cash flows before movement in working capital		**1,266,759**	637,059
Increase in inventories		**(41,311)**	(379,443)
(Increase)/decrease in trade receivables		**(195,272)**	96,205
(Increase)/decrease in prepayments, deposits and other receivables		**(139,955)**	238,859
Increase in debt instruments at FVTOCI		**(181,862)**	(88,294)
Increase in pledged bank deposits		**(2,864,216)**	(256,737)
Increase in trade and bills payables		**3,927,599**	2,278,013
Increase in other payables and accruals		**405,195**	221,492
Increase in contract liabilities		**216,873**	98,666
Cash generated from operations		**2,393,810**	2,845,820

36 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities generated from financing activities

	Lease liabilities RMB'000	Other non-current liabilities RMB'000	Total RMB'000
Net debt as at 1 January 2019	(48,557)	–	(48,557)
Cash flows	13,974	–	13,974
Foreign exchange adjustments	–	–	–
Acquisition – lease	(9,641)	–	(9,641)
Interest expenses	(2,216)	–	(2,216)
Net debt as at 31 December 2019	(46,440)	–	(46,440)
Cash flows	**22,001**	**(97,671)**	**(75,670)**
Acquisition – lease	**(48,741)**	**–**	**(48,741)**
Interest expenses	**(3,328)**	**–**	**(3,328)**
Net debt as at 31 December 2020	**(76,508)**	**(97,671)**	**(174,179)**

37 CONTINGENT LIABILITIES

As at 31 December 2020 and 31 December 2019, the Group had no significant contingent liabilities.

38 COMMITMENTS

(a) Capital Commitments

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated statement of financial positions	**612,736**	41,525

(b) Non-cancellable operating lease

At the balance sheet dates, lease commitments for the Group for leases not yet commenced or short-term leases and low value leases are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Within 1 year	**3,614**	–
Later than 1 year and no later than 5 years	**465**	–
	4,079	–

39 RESTATEMENTS

In preparation for the consolidated financial statements of the Group for the year ended 31 December 2020, the Group has identified noted certain errors in the comparative financial information presented. A detailed description of nature of the prior year errors further discussed below.

a. Advertising expenses

In December 2020, an error in the accuracy of the expense recognition for some advertising services received was identified. The error resulted in an understatement of selling and distribution expenses in 2019, understatement of other payables and accruals, and overstatement of prepayments, deposits and other receivables and income tax liabilities as at 1 January 2019 and 31 December 2019

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

(i) Consolidated statement of profit or loss for the year ended

	31 December 2019 RMB'000
– Increase in Selling and distribution expenses	(49,295)

(ii) Consolidated statements of financial position as at

	31 December 2019 RMB'000	1 January 2019 RMB'000
– Decrease in Prepayments, deposits and other receivables	(6,971)	(6,971)
– Increase in Other payables and accruals	99,779	50,484
– Decrease in Retained earnings	(106,750)	(57,455)

39 RESTATEMENTS (Continued)

b. Consulting expenses

In December 2020, an error in the accuracy of expense recognition for some consulting services received was identified. The error resulted in an overstatement of selling and distribution expenses and understatement of income tax expense in 2019, overstatement of other payables and accruals, and understatement of income tax liabilities as at 31 December 2019.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

(i) Consolidated statement of profit or loss for the year ended for the year ended

	31 December 2019 RMB'000
– Decrease in Selling and distribution expenses	26,000
– Decrease in Administrative expenses	812
– Increase in Income tax expense	(5,177)

(ii) Consolidated statements of financial position as at

	31 December 2019 RMB'000
– Decrease in Other payables and accruals	(26,812)
– Increase in Income tax liabilities	5,177
– Increase in Retained earnings	21,635

Note: This error has no impact on the consolidated statements of financial position as at 1 January 2019.

39 RESTATEMENTS (Continued)

c. Employee benefit expenses

In December 2020, an error in the estimation of the annual bonus of prior year was identified. The errors resulted in an overstatement of administrative expenses and understatement of income tax expense in 2019, overstatement of other payables and accruals as at 31 December 2019 and an understatement of other payables and accruals as at 1 January 2019 and 31 December 2019, and an understatement of tax liabilities as at 31 December 2019.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

(i) Consolidated statement of profit or loss for the year ended for the year ended

	31 December 2019 RMB'000
– Decrease in Administrative expenses	19,342
– Increase in Income tax expense	(3,260)

(ii) Consolidated statements of financial position as at

	31 December 2019 RMB'000	1 January 2019 RMB'000
– (Decrease)/Increase in Other payables and accruals	(14,502)	4,840
– Increase in Income tax liabilities	3,260	–
– Increase/(Decrease) in Retained earnings	11,242	(4,840)

39 RESTATEMENTS (Continued)

d. Amortisation of prepaid long-term assets

In December 2020, an error in the amortisation of some prepaid long-term asset was identified. There should be no carrying value for such prepaid long-term assets as at 31 December 2018. The errors resulted in an overstatement of prepayments, deposits and other receivables and income tax liabilities as at 1 January 2019 and 31 December 2019.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

(i) Consolidated statements of financial position as at

	31 December 2019 RMB'000	1 January 2019 RMB'000
– Decrease in Prepayment for acquisition of property, plant and equipment and right-of-use assets	(27,499)	(27,499)
– Decrease in Other payables and accruals	(6,875)	(6,875)
– Decrease in Retained earnings	(20,624)	(20,624)

e. Income tax

In December 2020, an error in the calculation of income tax liabilities and deferred income tax assets of prior financial years was identified. The error resulted in an overstatement of other payables and accruals and deferred tax assets as at 1 January 2019 and 31 December 2019.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

(i) Consolidated statements of financial position as at

	31 December 2019 RMB'000	1 January 2019 RMB'000
– Decrease in Deferred income tax asset	(4,603)	(4,603)
– Decrease in Other payables and accruals	(22,752)	(22,752)
– Increase in Retained earnings	18,149	18,149

39 RESTATEMENTS (Continued)

Financial Impacts of the errors identified

The amounts presented as the comparative figures in the consolidated financial statements for the year ended 31 December 2020 have been restated to correct the above errors identified. The financial impacts in respective period are summarised as follows:

Consolidated statement of profit or loss for the year ended

	31 December 2019
Decrease in net profit for the year	(11,578)
Decrease in net profit attributable to Owners of the Company	(11,578)

Consolidated statement of financial position as at

	31 December 2019 RMB'000	1 January 2019 RMB'000
Decrease in Prepayments, deposits and other receivables	(6,971)	(6,971)
Decrease in Prepayment for acquisition of property, plant and equipment and right-of-use assets	(27,499)	(27,499)
Decrease in Deferred income tax asset	(4,603)	(4,603)
Increase in Other payables and accruals	28,838	25,697
Increase in Income tax liabilities	8,437	–
Decrease in Retained earnings	(76,348)	(64,770)

39 RESTATEMENTS (Continued)

The effects of the restatements on the Group's consolidated statement of profit or loss for the year ended 31 December 2019 are summarized as follows:

	2019 (Previously reported) RMB'000	Restatements RMB'000	2019 (restated) RMB'000
Consolidated statement of profit or loss (extract)			
Selling and distribution expenses	(769,505)	(23,295)	(792,800)
Administrative expenses	(504,327)	20,154	(484,173)
Income tax expense	(83,087)	(8,437)	(91,524)
Profit for the year	520,270	(11,578)	508,692
Profit attributable to:			
Owners of the Company	516,411	(11,578)	504,833
Non-controlling interests	3,859	–	3,859
	520,270	(11,578)	508,692
Earnings per share			
Basic (HK cents)	17.5	(0.4)	17.1
Diluted (HK cents)	17.5	(0.4)	17.1

The effects of the restatements on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 are summarized as follows:

	2019 (Previously reported) RMB'000	Restatements RMB'000	2019 (restated) RMB'000
Consolidated statement of profit or loss and other comprehensive income (extract)			
Profit for the year	520,270	(11,578)	508,692
Total comprehensive income for the year	536,748	(11,578)	525,170
Total comprehensive income attributable to:			
Owners of the Company	532,889	(11,578)	521,311
Non-controlling interests	3,859	–	3,859
	536,748	(11,578)	525,170

39 RESTATEMENTS (Continued)

The effects of the restatements on the Group's consolidated statement of financial position as at 31 December 2019 and 1 January 2019 are summarized as follows:

	31 December 2019 (Previously reported) RMB'000	Restatements RMB'000	31 December 2019 (restated) RMB'000
Consolidated statement of financial position (extract)			
Prepayment for acquisition of property, plant and equipment and right-of-use assets	155,119	(27,499)	127,620
Deferred income tax asset	17,522	(4,603)	12,919
Prepayments, deposits and other receivables (current)	394,191	(6,971)	387,220
Other payables and accruals	474,233	28,838	503,071
Income tax liabilities	76,133	8,437	84,570
Equity attributable to owners of the Company			
Share premium and reserves	3,132,199	(76,348)	3,055,851

	1 January 2019 (Previously reported) RMB'000	Restatements RMB'000	1 January 2019 (restated) RMB'000
Consolidated statement of financial position (extract)			
Prepayment for acquisition of property, plant and equipment and right-of-use assets	65,939	(27,499)	38,440
Prepayments, deposits and other receivables (current)*	579,599	(6,971)	572,628
Deferred income tax asset	6,846	(4,603)	2,243
Other payables and accruals	290,242	25,697	315,939
Equity attributable to owners of the Company			
Share premium and reserves	2,811,945	(64,770)	2,747,175

* Certain comparative figures have been reclassified to conform to the current year presentation.

40 RELATED PARTY TRANSACTIONS

(a) Particulars of the related parties, which entered into material transactions with the Group, are as follows:

Name	Relationship
Ningbo Suogao Shock Absorber Co., Ltd. ("**Ningbo Suogao**")	Controlled by close family members of the Controlling Owners
Okawa MOTOR Technology (Jiangsu) Co., Ltd. ("**Okawa MOTOR**")	Associate

(b) Transactions with Related Parties

(i) Purchases of products:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Okawa MOTOR	**6,010**	–

The purchases of products were made on terms agreed between the parties.

(ii) Sales of products:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Okawa MOTOR	**8,693**	–

The sales were made on terms agreed between the parties.

(iii) Sales of equipment:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Okawa MOTOR	**1,196**	–

(iv) Service received:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Okawa MOTOR	**3,774**	–

40 RELATED PARTY TRANSACTIONS (Continued)

(c) Due to Related Parties

(i) Trade payables:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Okawa MOTOR	**2,429**	–

(ii) Other Payables:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Ningbo Suogao	**120**	120

The amounts were unsecured, interest-free and have no fixed term of repayment.

(d) Due from Related Parties

(i) Other Receivables:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Okawa MOTOR	**11,175**	–

(e) Compensation of Key Management Personnel of The Group

	31/12/2020 RMB'000	31/12/2019 RMB'000
Salaries	**9,984**	7,605
Pension scheme contributions and social welfare	**258**	380
	10,242	7,985

In addition to the amounts above, the Group also provides other non-monetary benefits, refer to note 43 for detail.

41 EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events during the period from 31 December 2020 to the approval date of these consolidated financial statements by the Board of Directors on 29 March 2021.

42 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	31/12/2020 RMB'000	31/12/2019 RMB'000
Non-current Assets		
Investments in subsidiaries	**219,681**	174,282
Equity instrument at FVTOCI	**17,519**	18,731
Prepayments, deposits and other receivables	**16,833**	35,110
	254,033	228,123
Current Assets		
Amount due from a subsidiary	**9,020**	12,078
Prepayments, deposits and other receivables	**143,260**	187,977
Wealth management products and structured deposits	**109,360**	185,027
Cash and cash equivalents	**126,347**	69,645
	387,987	454,727
Total Assets	**642,020**	682,850
Current Liabilities		
Amount due to a subsidiary	**–**	11,997
Other payables and accruals	**2,971**	1,098
Total Liabilities	**2,971**	13,095
Net Assets	**639,049**	669,755
Equity		
Share capital	**187**	187
Share premium and reserves	**638,862**	669,568
Total Equity	**639,049**	669,755

42 FINANCIAL POSITION AND RESERVE MOVEMENT 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)/ retained earnings RMB'000	Total RMB'000
At 1 January 2019	759,036	75,574	1,237	33,543	(18,432)	850,958
Total comprehensive (expense)/income 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
Total comprehensive (expense)/income for the year, net of income tax	**–**	**–**	**1,237**	**(31,225)**	**215,891**	**185,903**
Dividends provided for or paid (Note 35)	**(266,092)**	**–**	**–**	**–**	**–**	**(266,092)**
Employee share schemes – value of employee services (Note 36)	**–**	**49,483**	**–**	**–**	**–**	**49,483**
At 31 December 2020	**379,444**	**88,170**	**4,663**	**20,804**	**145,781**	**638,862**