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

## 2021 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. Wong Sau Ping, FCG, HKFCG
(appointed on 18 June 2021)
Ms. Lam Yuk Ling (resigned on 18 June 2021)

## AUTHORISED REPRESENTATIVES

Ms. Qian Jinghong
Ms. Wong Sau Ping (appointed on 18 June 2021)
Ms. Lam Yuk Ling (resigned on 18 June 2021)

## 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

# CORPORATE INFORMATION

## 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**" or "**China**"), 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 2021, the Group had 56 models of electric scooters and 69 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 2021, the Group had annual electric two-wheeled vehicle production capacity of approximately 17 million units, supported by more than 9,000 employees. It also has a strong research and development team based in Shanghai and Wuxi with 906 research and development professionals with various product design background for electric two-wheeled vehicles.

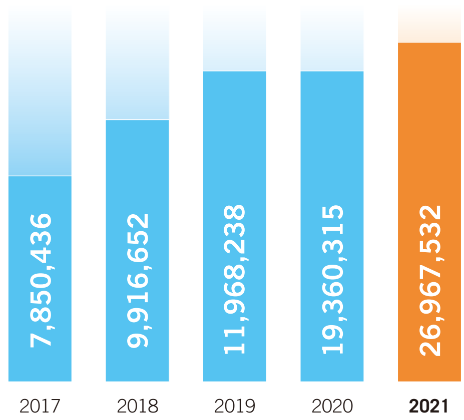
The Group's domestic network covered almost every administrative region of the PRC and consisted of 3,353 distributors as well as their sub-distributors with over 28,000 points of sales as at 31 December 2021. The Group also had export sales to over 90 countries through its international distribution 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

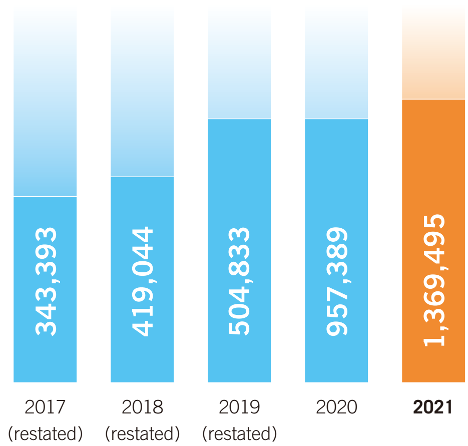
## REVENUE

RMB'000



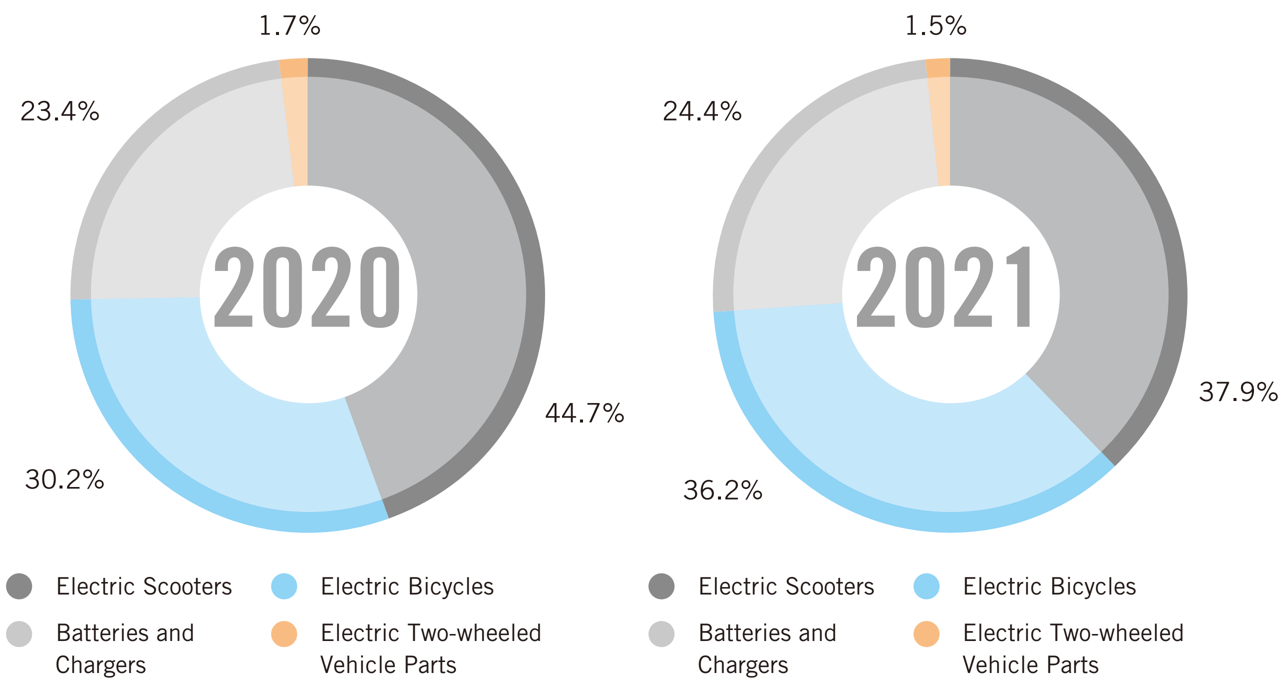

## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

RMB'000




Consolidated revenue increased 39.3% year-on-year to RMB26,967.5 million

## REVENUE GENERATED BY PRODUCT TYPE



FINANCIAL HIGHLIGHTS

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **RMB'000** | RMB'000 | RMB'000 (restated)* | RMB'000 (restated)* | RMB'000 (restated)* |
| Revenue | **26,967,532** | 19,360,315 | 11,968,238 | 9,916,652 | 7,850,436 |
| Cost of sales | **(22,866,048)** | (16,287,085) | (9,890,101) | (8,297,067) | (6,682,040) |
| Gross profit | **4,101,484** | 3,073,230 | 2,078,137 | 1,619,585 | 1,168,396 |
| Profit before tax | **1,506,985** | 1,186,777 | 600,216 | 464,995 | 397,984 |
| Income tax expense | **(140,342)** | (227,488) | (91,524) | (44,669) | (54,287) |
| Profit for the year attributable to | | | | | |
| – Owners of the Company | **1,369,495** | 957,389 | 504,833 | 419,044 | 343,393 |
| – Non-controlling interests | **(2,852)** | 1,900 | 3,859 | 1,281 | 304 |

## CONDENSED CONSOLIDATED ASSETS AND LIABILITIES

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **RMB'000** | RMB'000 | RMB'000 (restated)* | RMB'000 (restated)* | RMB'000 (restated)* |
| Total assets | **19,407,793** | 16,016,355 | 10,707,260 | 7,768,672 | 6,979,799 |
| Total liabilities | **14,895,394** | 12,413,512 | 7,639,718 | 5,013,724 | 4,555,473 |
| Total equity | **4,512,399** | 3,602,843 | 3,067,482 | 2,754,948 | 2,424,326 |

* Restatements for the amounts for the years ended 31 December 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 2021.

Looking back at 2021, despite the continuous effect of the COVID-19 pandemic, China's gross domestic products (GDP) has outpaced most expectations and the government's target of growth at above 6% to 8.1%, amounting to RMB114.37 trillion. Yadea has also taken a bold step to lead 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

Owing to the Company's continuous effort, Yadea has set a new record for its sales, revenue and profit in the year of 2021 and has further solidified its leading position in the electric two-wheeled vehicles market in the PRC. During the year of 2021, the Group sold an aggregate of approximately 13.9 million units of electric two-wheeled vehicles (2020: approximately 10.8 million units), comprised of approximately 6.1 million units of electric scooters (2020: approximately 5.6 million units) and approximately 7.7 million units of electric bicycles (2020: approximately 5.2 million units), up by approximately 28.3% from the previous year. The Group's revenue increased by approximately 39.3% from RMB19,360.3 million in 2020 to RMB26,967.5 million in 2021 and the Group's gross profit increased by approximately 33.5% from RMB3,073.2 million in 2020 to RMB4,101.5 million in 2021, which was mainly attributable to the increase in the sales volume of electric two-wheeled vehicles and the optimisation and improvement of product structure.

During the year of 2021, the Company has paid ongoing effort in promotion of the brand, including but not limited to, establishment of strategic cooperation with China Central Television, showcasing the electric two-wheeled vehicles of the Company in Spring Festival Gala and EICMA Motor Expo, respectively. At the same time, the Group continued to proactively expand its market share in the PRC through further broadening its distribution network. As at 31 December 2021, the Group has 3,353 distributors (2020: 2,955) as well as their sub-distributors with over 28,000 points of sales (2020: over 17,000 points of sales) in the PRC, covering almost every administrative region of the PRC. In respect of international distribution, Yadea has established distribution channels in Germany, France, Switzerland, Italy, United Arab Emirates, India, Argentina, Bolivia, Vietnam, Thailand, etc.

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 March 2021, the Group launched the second series of Guanneng (冠能二代) edition electric two-wheeled vehicle, equipped with the new edition of self-developed TTFAR2.0 eight levels extended range system, achieving a constant breakthrough in continuous driving mileage, a significant increase in battery life and better performance in extreme weather conditions. The Group has sold approximately 3.9 million units of Guanneng (冠能) edition electric two-wheeled vehicle in 2021 (2020: approximately 0.7 million units of Guanneng (冠能) edition). Moreover, in July 2021, the Group launched the premium VFLY edition electric two-wheeled vehicle to create ultimate experience of electric two-wheeled vehicle products from appearance design and driving performance to intelligent application. As at 31 December 2021, the Group had 56 models of electric scooters (2020: 91 models of electric scooters) and 69 models of electric bicycles (2020: 82 models of electric bicycles) with various designs, colours and functionalities for the choices of customers.

## OUTLOOK

Since the start of the COVID-19 pandemic, the Company has observed a shift of demand from public transport to personalised transportation, in order to avoid close contact with the public during the use of mass transport. Moreover, 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*
28 March 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group recorded revenue of RMB26,967.5 million in 2021, representing an increase of approximately 39.3% from RMB19,360.3 million in 2020. Revenue from the sales of electric scooters increased by approximately 17.9%, from RMB8,659.5 million in 2020 to RMB10,208.6 million in 2021, and revenue from the sales of electric bicycles increased by approximately 67.2%, from RMB5,840.2 million in 2020 to RMB9,767.7 million in 2021, primarily due to the increase in the sales volume of electric two-wheeled vehicles. The average selling prices of the electric scooters increased from RMB1,552 in 2020 to RMB1,662 in 2021, and that of the electric bicycles increased from RMB1,118 in 2020 to RMB1,265 in 2021.

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

| Product Type | For the year ended 31 December 2021 Revenue (RMB'000) | % of total | Volume '000 units | For the year ended 31 December 2020 Revenue (RMB'000) | % of total | Volume '000 units |
|---|---|---|---|---|---|---|
| Electric scooters | **10,208,564** | **37.9** | **6,141.5** | 8,659,503 | 44.7 | 5,579.0 |
| Electric bicycles | **9,767,681** | **36.2** | **7,721.3** | 5,840,153 | 30.2 | 5,224.4 |
| **Subtotal** | **19,976,245** | **74.1** | **13,862.8** | 14,499,656 | 74.9 | 10,803.4 |
| Batteries and chargers | **6,583,763** | **24.4** | **Batteries: 13,279.7 Chargers: 9,504.6** | 4,532,919 | 23.4 | Batteries: 9,777 Chargers: 6,741 |
| Electric two-wheeled vehicle parts | **407,524** | **1.5** | **N/A** | 327,740 | 1.7 | N/A |
| **Total** | **26,967,532** | **100.0** | **36,647.1** | 19,360,315 | 100.0 | 27,321.4 |

## Cost of sales

Cost of sales of the Group increased by approximately 40.4% from RMB16,287.1 million in 2020 to RMB22,866.0 million in 2021, 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 33.5% from RMB3,073.2 million in 2020 to RMB4,101.5 million in 2021, and the gross profit margin decreased by 0.7% from approximately 15.9% in 2020 to approximately 15.2% in 2021.

## Other income and gains, net

Other income and gains of the Group increased by approximately 47.4% from RMB258.1 million in 2020 to RMB380.3 million in 2021, primarily due to the increase in net fair value gains on financial assets at fair value through profit or loss ("**FVTPL**") and bank interest income and decrease in donations, partially offset by increase in net loss on disposal of property, plant and equipment and intangible assets.

## Selling and distribution expenses

Selling and distribution expenses increased by approximately 37.2% from RMB934.9 million in 2020 to RMB1,282.9 million in 2021, primarily due to the increase in employee benefits expenses, advertising expenses and travelling expenses.

## Administrative expenses

Administrative expenses of the Group increased by approximately 36.9% from RMB597.5 million in 2020 to RMB817.9 million in 2021, primarily due to the increase in employee benefits expenses.

## Research and development costs

Research and development costs increased by approximately 39.4% from RMB605.2 million in 2020 to RMB843.7 million in 2021, primarily due to the increase in employee benefits expenses and development projects relating to new products and new technologies.

## Finance costs

Finance costs of the Group consist of interest costs on interest charges for lease liabilities and the loan from government. Finance costs increased by approximately 235.9% from RMB4.6 million in 2020 to RMB15.3 million in 2021, primarily due to increase in interest expense for lease liabilities and the loan from government.

## Income tax expense

Income tax expense decreased by approximately 38.3% from RMB227.5 million in 2020 to RMB140.3 million in 2021, primarily due to the net effects of tax credit related to the restricted share units ("**RSUs**") partially offset by the increase in income tax expense as a result of the increase in net profit.

## Profit for the year

As a result of the cumulative effect of the foregoing, profit of the Group increased by approximately 42.5% from RMB959.3 million in 2020 to RMB1,366.6 million in 2021.

## LIQUIDITY AND FINANCIAL RESOURCES

### Cash flow

As at 31 December 2021, the Group's cash and cash equivalents amounted to RMB6,073.1 million, representing an increase of approximately 77.5% from RMB3,420.9 million as at 31 December 2020.

The Group's primary source of funding comes from cash flows generated from its operating activities. As at 31 December 2021, save for the interest-free loan of RMB300.7 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 RMB3,693.0 million in 2021, as compared with net cash generated from operating activities of RMB2,217.5 million in 2020. Net cash used in investing activities was RMB824.3 million in 2021, as compared with net cash used in investing activities of RMB1,036.0 million in 2020. Net cash used in financing activities was RMB207.4 million in 2021, as compared with net cash used in financing activities of RMB358.7 million in 2020.

### Net current assets

As at 31 December 2021, the Group had net current assets of RMB686.6 million, as compared with net current assets of RMB1,137.8 million as at 31 December 2020. The decrease in net current assets was primarily due to the increase in property, plant and equipment and land use rights for expanding production capacity.

### Inventories

The Group's inventories consist of raw materials and finished goods. The Group's inventories increased by approximately 75.6% from RMB680.2 million as at 31 December 2020 to RMB1,194.2 million as at 31 December 2021, primarily due to the increase in stock reserve. The average inventory turnover days in 2021 increased to 14.8 days from 14.6 days in 2020, such increase was primarily due to the increase in stocking of raw material near the end of the year ended 31 December 2021 (the "**Reporting Period**").

### Trade receivables

Trade receivables increased by approximately 4.1% from RMB377.1 million as at 31 December 2020 to RMB392.6 million as at 31 December 2021, primarily due to the increase in sales of goods.

### Financial assets at FVTPL

The financial assets at FVTPL held by the Group mainly consist of principal-protected wealth management products and structured deposits with relatively low level of risk purchased from the commercial banks in the PRC. As at 31 December 2021, each of such investments has a value of less than 5% of the total assets of the Group and none of such investments constituted a notifiable transaction of the Company. The aggregated value of the financial assets at FVTPL decreased by approximately 3.4% from RMB4,008.0 million as at 31 December 2020 to RMB3,870.3 million as at 31 December 2021. Such decrease was primarily due to redemption of the wealth management products and structured deposits upon the end of the term of investments. For the year ended 31 December 2021, the Company recorded a gain in fair value of the financial assets at FVTPL of approximately RMB232.7 million in the consolidated statement of profit or loss and other comprehensive income. The Company's subscription for the wealth management products and structured deposits is for treasury management purpose in order to maximise the utilisation of its surplus cash received from its business operations, with a view to achieving balanced yields whilst maintaining high liquidity and a low level of risk.

### Trade and bills payables

Trade and bills payables increased by approximately 18.3% from RMB10,786 million as at 31 December 2020 to RMB12,758.2 million as at 31 December 2021, primarily due to the increase in bills payables owing to the suppliers resulting from the increase in purchases.

### Gearing Ratio

Gearing ratio is calculated by other non-current liability divided by total equity. As at 31 December 2021, the gearing ratio of the Group is 8.8% (31 December 2020: 2.7%).

### 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 2021, the Group had 9,174 employees, as compared with 8,184 employees as at 31 December 2020 as the Group hired more employees in the production and sales department. Total staff costs in 2021, including labour outsourcing cost but excluding the Directors' remunerations, were RMB1,706.9 million, representing an increase of approximately 49.6% from RMB1,141.1 million in 2020, such increase was primarily due to the increment of salary level of the employees and recruitment of mid-to-senior level of experts and management personnel. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus, cash awards and share awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their relevant skills.

### Contingent liabilities

As at 31 December 2021, 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 2021, the pledged assets of the Group amounted to RMB4,884.6 million (2020: RMB5,891.9 million).

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 17 December 2021, Yadea Technology Group Limited* (雅迪科技集團有限公司), a wholly-owned subsidiary of the Company, as the purchaser, Zhejiang Nandu Power Co., Ltd.* (浙江南都電源動力股份有限公司) and Binzhou Bohan Corporate Management Consulting Partnership (Limited Partnership)* (濱州博涵企業管理諮詢合夥企業（有限合夥）), both as vendors, entered into an agreement (the "**Acquisition Agreement**") in relation to the acquisition of 70% equity interest in each of Jieshoushi Nandu Huayu Power Co., Ltd.* (界首市南都華宇電源有限公司) and Zhejiang Changxing Nandu Power Co., Ltd.* (浙江長興南都電源有限公司) (the "**Acquisition**") for a consideration of RMB311.5 million and nil consideration, respectively. The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For details of the Acquisition and the Acquisition Agreement, please refer to the announcements of the Company dated 17 December 2021 and 10 March 2022.

On 4 January 2022, all conditions precedent stipulated in the Acquisition Agreement were satisfied and the Acquisition was completed.

Save as disclosed above, there were no other significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group, nor was there any plan authorised by the Board for other material investments or additions of capital assets, during the year ended 31 December 2021.

## EVENTS AFTER THE REPORTING PERIOD

On 4 January 2022, the Acquisition is completed. For details of the Acquisition, please refer to section headed "Significant investment, material acquisitions and disposal of subsidiaries and associated companies" in this annual report.

On 20 January 2022, 41,520,000 shares of the Company (the "**Shares**") were awarded to certain employees pursuant to the terms of the share award schemes of the Company. For details of the share award schemes of the Company, please refer to section headed "Share Award Schemes" on page 78 of this annual report.

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

## REPORT DESCRIPTION

The Group is pleased to present its 2021 Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”). This Report summarises the performance, achievements and plans of the Group in ESG aspects and plans for the Group’s continuous efforts and commitments to achieve sustainable development.

### Reporting Scope

This Report covers ESG-related matters of the Company and its subsidiaries, covering six production bases in Jiangsu, Zhejiang, Tianjin, Guangdong, Anhui and Chongqing, which are the Group’s main operating locations. As the production of Chongqing production base during the Reporting Period was processed by a third-party unit and its new factory was only put into operation in 2022, the environmental data in this Report does not include the data of Chongqing Manufacturing Company.

### Reporting Period

This Report is an annual report, covering all times during the reporting period from 1 January 2021 to 31 December 2021, and some of its contents may fall beyond the above Reporting Period.

### Basis of Preparation

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**Reporting Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and has complied with the reporting principles and the “comply or explain” provisions set out in the Reporting Guide. A complete index is appended in the last chapter hereof for readers’ easy reference to the Reporting Guide. This Report is released after being reviewed and approved by the Board. For the corporate governance related matters, please refer to the section headed “Corporate Governance Report” of this annual report.

### Reporting Principles

During the preparation process, the Report follows the following four reporting principles:

| PRINCIPLES | Definition | Measures |
|---|---|---|
| **Materiality** | The issues covered in the Report should reflect the Group’s significant impact on the environment and society, or the areas that affect the assessment and decision of stakeholders. | Through various communication channels, we understand stakeholders’ expectations on the Company’s sustainable development and identify key issues that are important to the Group. |
| **Quantitative** | The Report should disclose key performance indicators in a measurable manner. | The content of this Report is derived from statistical reports and other relevant documents of the Group. The data in this Report are disclosed and calculated in accordance with the requirements of national standards such as the Technical Guidelines for the Compilation of Air Pollutant Emission Inventory for Road Vehicles (Trial), the Technical Guidelines for the Compilation of Air Pollutant Emission Inventory for Non-road Mobile Sources (Trial) and the 2019 Average Carbon Dioxide Emission Factors for Regional Power Grids in China, and disclose environmental and social key performance indicators in a quantitative manner as far as possible. |

| PRINCIPLES | Definition | Measures |
|---|---|---|
| **Balance** | The Report should provide an unbiased picture of the Group's overall sustainability performance. | This Report provides an unbiased picture of the ESG issues that have a significant impact on the Group's business, including their achievements, impacts, challenges faced, etc., and formulates response plans. |
| **Consistency** | The Group should confirm that the methods used to prepare the Report are consistent with those used in previous years, or state the revised reporting methods, or illustrate other relevant factors that affect meaningful comparison. | The reporting scope is consistent with last year, and consistent statistical methods are used to allow meaningful comparisons of ESG data over time. If there are any changes to the methods used and the scope of reporting, we will explain in the notes for stakeholders' reference. |

## SUSTAINABLE DEVELOPMENT MANAGEMENT

### Board Participation

The Board has overall responsibility for and oversees the Group's ESG strategy, target setting and reporting. In order to better promote the implementation of the Company's sustainable development strategy and strengthen the management of sustainable development related affairs, during the Reporting Period, the Board established a sustainable development management system with the ESG Committee and the ESG Working Group as the core, which are responsible for the decision-making, management and implementation of the Company's sustainable development, respectively, while the secretary of the ESG Committee is responsible for the management of daily affairs of sustainable development and the allocation of corresponding resources.

In order to evaluate, prioritize and manage the risks of environmental, social and governance issues in an effective and focused manner, the Board is responsible for leading Yadea and its stakeholders to form a representative working framework and compile a materiality matrix through interviews with representative ESG evaluation institutions, interviews and questionnaires. The ESG materiality assessment and ESG-related issues were approved at the meetings of the Board and the ESG Committee, which were assessed and confirmed by the operation and management members, integrated into the Company's strategy with the goal of achieving the vision, formulated control measures for opportunities and risks, and integrated into various business activities.

While enhancing the trust of the Company's shareholders (the "**Shareholders**"), investors, customers and the society, the Board urges the Company to formulate corporate ESG policies and objectives in a prompt, decisive and balanced manner to achieve sustainable growth and enhance corporate value in the medium and long term. In order to clearly distinguish the supervision and execution functions, in terms of corporate system, the Company has established the Audit and Supervision Committee, the Product Committee, the Quality Committee and the Human Resources Committee to further strengthen the supervision mechanism and achieve rapid and flexible decision-making. In addition, each functional center and operation location will carry out annual risk assessment activities to identify and evaluate potential ESG risks around the business, select "key risks" and respond to them, so as to minimize the impact of risks.

## Stakeholder Communication

Stakeholders participation is vital for the Group's sustainable development. By reviewing the operating environment, peer analysis, international standards and internal resource allocation of the Group in 2021, the Group carefully identified stakeholders and their concerns. In order to promote effective ESG management, the Group actively encourages the participation of stakeholders, and at the same time establishes various communication methods to understand the expectations of stakeholders and respond quickly. The means of communication, expectations and the Group's responses to the expectations of the relevant stakeholders are as follows:

| Stakeholders | Communication methods | Expectations | Responses |
|---|---|---|---|
| **Government and Regulatory Authorities** | • Policies and related guidelines<br>• Regular communication<br>• Inspection and supervision | • Operating in accordance with national policies<br>• Tax payment<br>• Stable operation<br>• Provide employment opportunities | • Compliance with law and regulations<br>• Promote local economic development<br>• Equal employment<br>• Community care |
| **Shareholders and Investors** | • General meetings and other Shareholder meetings<br>• Financial reporting<br>• Announcements and circulars<br>• Company website | • Reasonable and sustainable return on investment<br>• High standard of corporate governance<br>• Public information disclosure | • Stable operation<br>• Optimise governance<br>• Disclose information promptly and publicly |
| **Customers** | • WeChat official account/ WeChat group for customers<br>• Official Weibo<br>• Customer Hotline<br>• User App<br>• Company website | • Product design innovation<br>• Timely new product information<br>• Improve customer satisfaction<br>• Ensure product quality<br>• Improve service quality | • Diversified product portfolio<br>• IoT products<br>• Customer experience center<br>• "Safe Flight Insurance" Service<br>• Customer satisfaction survey |
| **Employees** | • Training workshops, seminars and conferences<br>• Employee mailbox<br>• WeChat official account<br>• Internal publications | • Reasonable remuneration and welfare benefits<br>• Career development<br>• Occupational health<br>• Rights protection | • Optimization of training workshops<br>• Enrich employee activities<br>• Improvement of working and living environment<br>• Attractive remuneration package and career advancements systems |

| Stakeholders | Communication methods | Expectations | Responses |
|---|---|---|---|
| **Suppliers and Business Partners** | • Research and evaluation meetings on site<br>• Regular review and assessment<br>• Daily communication<br>• Business exchange and cooperation | • Long-term cooperation<br>• Fair competition and honest operation<br>• Mutual benefit and win-win<br>• Compliance with law and regulations | • Segmentation of supplier management<br>• Supplier classification system<br>• Strategic cooperation with suppliers<br>• Establish a comprehensive coordination mechanism |
| **Community** | • Caring for the Underprivileged<br>• Community welfare activities<br>• Social media platforms | • Improve community environment<br>• Actively participate in community welfare activities | • Volunteer service<br>• Charitable donations<br>• Encourage distributors to participate |
| **Public and media** | • Media reports<br>• Online media communication<br>• Announcements and reports | • Information transparency<br>• Timely disclosure of information | • Compliance with relevant regulations<br>• Objective reporting<br>• Marketing |
| **Environmental groups** | • Environmental protection activities and promotion<br>• ESG report<br>• Communication with environmental departments and local community | • Reduction on energy consumption and carbon emissions<br>• Recycling<br>• Green travel promotion | • Reduction of pollutant emissions<br>• Recycling of resources<br>• Green public welfare cycling |

The Group attaches great importance to the valuable opinions of all stakeholders. If you have any questions or opinions on this Report or the Group's environmental and social policies and performance, you are welcome to share your opinions and suggestions with us.

## Materiality Assessment

The Group believes that meeting the expectations of the stakeholders is essential to the long-term growth of the Group's business. In order to respond to stakeholders and formulate effective sustainable development strategies, we have identified and prioritised 21 ESG issues as the basis for selecting the content of this Report and carrying out the Group's work on addressing these ESG issues.

| ESG Aspect | | No. | ESG issues |
|---|---|---|---|
| A. ENVIRONMENTAL | A1: Emissions | 1 | Air pollution management |
| | | 2 | Sewage discharge management |
| | | 3 | Waste disposal and recycling |
| | A2: Use of Resources | 4 | Energy consumption and renewable energy |
| | | 5 | Green manufacturing |
| | A3: Environmental and Natural Resources | 6 | Use efficiency of natural resources |
| | A4: Climate Change | 7 | Responding to climate change |
| B. SOCIAL | B1: Employment, B3: Development and Training | 8 | Employee development and welfare |
| | B2: Health and Safety | 9 | Occupational health and safety |
| | B4: Labour Standards | 10 | Labour rights and practices |
| | B5: Supply Chain Management | 11 | Responsible supply chain management |
| | | 12 | Use efficiency of raw materials |
| | B6: Product Responsibility | 13 | Product quality and safety |
| | | 14 | Customer support and satisfaction |
| | | 15 | Technological innovation |
| | | 16 | Intellectual property protection |
| | | 17 | Information security and customer privacy protection |
| | | 18 | Product design and lifecycle management |
| | | 19 | Reasonable media publicity |
| | B7: Anti-corruption | 20 | Anti-corruption management |
| | B8: Community Investment | 21 | Community development |

After considering and balancing the materiality of various ESG issues to the Group, internal stakeholders and external stakeholders, the Group has formulated the following material issues.

| ESG Material Issues | Materiality |
|---|---|
| Green manufacturing<br>Use efficiency of natural resources<br>Occupational health and safety<br>Product quality and safety<br>Customer support and satisfaction<br>Technological innovation<br>Intellectual property protection<br>Anti-corruption management | Most important |
| Air pollution management<br>Labour rights and practices<br>Community development<br>Waste disposal and recycling<br>Sewage discharge management<br>Product design and lifecycle management | More important |
| Use efficiency of raw materials<br>Responsible supply chain management<br>Reasonable media publicity<br>Employee development and welfare | Secondary importance |
| Energy consumption and renewable energy<br>Climate change<br>Information security and customer privacy protection | Important |

## CAUTIOUS AND PERFECTION, METICULOUS SERVICES

### Product Responsibility

#### Product quality

The Group strives to produce product of excellent quality and implemented various quality control measures. We have been adhering to the business philosophy of "providing products that bring happiness to consumers", adhering to the consumer-oriented principle and value contributor-oriented principle, and still aiming at "better design, higher technology, better quality, more refined manufacturing, better service and more exports".

During the production process, the craftsmen or inspection personnel will conduct regular spot checks on key positions, and provide timely feedback and research on problematic vehicles, so as to effectively solve quality problems. The Company handles the non-conforming products discovered internally in strict accordance with the "Control Procedures for Unqualified Products" and re-processes and repairs them before they are put into storage until they pass the standards. If they fail to meet the product quality requirements, they will be scrapped. For unqualified products found in the market, the Group will carry out inspection and recall in accordance with the "Market Quality Information Control Procedures" and the "Market Recall Management Measures". Products approved for recall will be inspected by the quality department, and the relevant suppliers will study and analyze the data, prepare reports and rectification plans together. After the rectification is completed, the after-sales department will track and verify the market, standardize the effective process of rectification, and include it into future development projects and inspection procedures.

The Group is committed to providing customers with products and services of the highest quality. We will continue to improve our quality control on various factors such as development, design, production and raw material quality, and strive for high-quality products. During the Reporting Period, the Group did not receive any products sold or shipped subject to recalls for safety and health reasons, and was not aware of any material non-compliance with laws and regulations that have a significant impact on the Group relating to product responsibility, product and service health and safety, advertising, labelling and privacy matters.

Prior to marketing, the Group's management office will strictly review the promotional materials in accordance with the "Advertising System Application" to ensure that their contents are fair, accurate, honest and fair, and disseminate information in the most appropriate manner. During the Reporting Period, the Group won two gold awards at the ADMEN International Advertiser Awards and the Innovation Power Brand List of the 2021 Shanghai International Advertising Awards, in recognition of the Group's efforts in brand and product promotion.

During the Reporting Period, the Group complied with and strictly complied with the applicable laws, regulations and certain inspection standards, which are summarised as follows:

Laws and regulations (including but not limited to)

- "Product Quality Law of the People's Republic of China"
- "Safety Technical Specification for Electric Bicycle"
- "Implementation Rules for Compulsory Certification of Products"
- "General Technical Conditions for Electric Motorcycle and Electric Light Motorcycle"
- "Regulation of the European Parliament and of the Council on the Approval and Market Supervision of Two-wheeled or Three-wheeled Vehicles and Four-wheeled Vehicles (EU No 168/2013)"

**Inspection standards**

- "Inspection Control Procedures"
- "Control Procedures for Unqualified Products"
- "Internal Quality Information Management Measures"
- "Vehicle Out of the Box Assessment Management Measures"
- "Parts Inspection Management Measures"
- "Market Recall Management Measures"

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

**Achievement: China Quality Certification Centre Audit and Certification**

From 11 to 15 January 2021, China Quality Certification Centre, which is independent of the Group, conducted quality management system certification audit on the Group and its six bases in Wuxi, Zhejiang, Tianjin and Guangdong, and conducted initial certification on one of them from 21 to 23 July of the same year, and assessed the Group's compliance and effectiveness in quality management. For the Anhui base, the first GB/T 19001-2016 and ISO 9001:2015 were certified in September 2021, which demonstrated the Group's efforts and strict compliance in quality control. GB/T 19001-2016 and ISO 9001:2015 certifications continue to be valid for the Group and the six bases in Wuxi, Zhejiang, Tianjin and Guangdong.


CQC

QUALITY MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 00122Q31883R3L/3200

We hereby certify that

Yadea Technology Group Co.,Ltd (This Main Certificate Contains 6 Sub-Certificates)

Registered Address: Dongsheng Road. Dacheng Industrial Zone, Anzhen Xishan District, Wuxi Jiangsu Province, P.R.China (Subsidiary Information See Sub-Certificate)

Operating Address: 515 Xishan Road, Anzhen Xishan District, Wuxi Jiangsu, Province, P.R.China (Subsidiary Information See Sub-Certificate)

by reason of its

Quality Management System

has been awarded this certificate for compliance with the standard

GB/T 19001-2016 / ISO 9001:2015

The Quality Management System Applies in the following area:

The Design, Production and After Service of Electric Bicycle、Electric Two-Wheeled Light Motorcycle, Electric Motorcycle with Two-Wheel、Electric Positive Three Wheeled Light Motorcycle and Electric Positive Three Wheeled Motorcycle in 3C Range

Certified since: September 26, 2013 Valid from: March 21, 2022 Valid until: March 20, 2025

After a surveillance cycle, the certificate is valid only when used together with an Acceptance Notice of Surveillance Audit issued by CQC. Please access www.cqc.com.cn for checking validity of the certificate.

This certificate and its relevant information can query in the website of Certification and Accreditation Administration of the People's Republic of China ( www.cnca.gov.cn).

IAF CNAS IQNet

CHINA QUALITY CERTIFICATION CENTRE

Section 9, No.188, Nansihuan(the South Fourth Ring Road) Xilu(West Road), Beijing 100070,China

http://www.cqc.com.cn

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## Technological Innovation

The Group believes that technological innovation is a key factor for enterprises to achieve sustainable development, and it can also enable us to make good use of our technological advantages and lead the industry to bring opportunities for low-carbon transformation. In accordance with the "Several Opinions on Strict Patent Protection" issued by the State Intellectual Property Office of the PRC, the Group has specifically formulated the "Patent Management Measures", "Patent Reward Management Measures", "Application for Government Project Reward Measures" and "Project Management Evaluation Measures" as the basic protection to motivate scientific and technological innovation, stimulate the innovation enthusiasm of personnel, severely crack down on patent infringement, do a good job in the layout of intellectual property rights for the research and development of new technologies and new products, and create a good environment for the innovation and development of intellectual property rights, so as to improve the level of independent innovation ability and scientific and technological progress of the enterprise.

As at the end of the Reporting Period, the data related to technological innovation of the Group is as follows:

| Indicators | Unit | 2020 | 2021 |
|---|---|---|---|
| Research and development expenses | RMB million | 605.22 | **843.69** |
| Number of patent applications (grand total) | pieces | 1,006 | **640** |
| Number of patents held during the year | pieces | 737 | **1,350** |
| Appearance patents held during the year | pieces | 499 | **991** |
| Utility model patents held during the year | pieces | 213 | **330** |
| Invention patents held during the year | pieces | 25 | **29** |

During the Reporting Period, the Group was not aware of any infringement by us of intellectual property rights of third parties or any infringement by any third parties of our intellectual property rights, nor was there any intellectual property dispute which had a material adverse effect on our business. Over the years, Yadea has invested a large amount of funds to carry out Integrated Product Development ("**IPD**") training, research and reform, established the "Strategy + IPD + Incentive" project, and set special bonuses for project technology development incentives to promote innovation and research and development and enhance product competitiveness. The main measures include:

**Encouraging research and development**

- Establish the "cross departmental teams"
- Resources integration
- Formulate project management evaluation mechanism

**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

**Improving patent protection awareness**

- Communicate regularly with science and technology bureaus and judicial protection authorities
- Organise trainings and workshops on practices on protection of intellectual property rights
- Promoting intellectual property protection cases

**Establishment of IPD cross-departmental team**

To further develop IPD within the management structure, the Group has set up several cross-departmental teams and set up clear management mechanisms, covering strategic planning, product series specifications and product development.

**Gather Excellent Product Management Team**

- Integrate senior management from different departments to formulate product strategies, make investment decisions on product development and ensure efficient use of resources during project execution. The team oversees functions of the below three teams.

**Project Assignment Development Team**

- Accelerate the development of new product concepts and formulate relevant solutions, collect information such as market information and customer needs, and combine the Group's production capacity to review the performance of products.

**Portfolio Management Team**

- Execute product plans and ensure that the products are successful in terms of financial benefits to the Group and market reputation, and responsible for developing products, launching products and formulating mass production plans for such products.

**Product Development Team**

- Gather representatives from various functional departments to analyze market information and formulate technical roadmap for each product series.

The general workflow of the cross-departmental team is as follows:

Application of launch of new project by Project Assignment Development Team

Formulate the technical pathway for new products by our Portfolio Management Team

Execute project plans with reference to guidelines by Product Development Team

**Achievement: Winning the "U.S. IDEA Excellence Award", "2021 Taihu Award Bronze Award" and other awards**

During the Reporting Period, the Group's long-term efforts in product quality and innovative development have been recognized at home and abroad. "Yadea Y1" won the International Design Excellence Award of the "US International Outstanding Industrial Design Award (IDEA)" for its outstanding performance and excellent appearance. "Yadea H1" was also awarded the Bronze Award of Taihu Award in the "10th Taihu Award Design Competition" hosted by the State Intellectual Property Office, the Ministry of Science and Technology and the People's Government of Jiangsu Province for its excellent design quality.


**Achievement: Yadea U-SMART AI Intelligent System Electric Vehicles**

Under the trend of intelligence, Yadea Guanzhi's 2.0 two-wheeled electric vehicles focus on the intelligent hub system in the ride. Guanzhi 2.0 is equipped with a full-scenario intelligent system with functions including intelligent key, real-time positioning, and APP remote control, providing users with stable and powerful AI functions. Based on the voiceprint recognition technology, the voice control system accurately identifies the identity of users, which can avoid the inconvenience of using the physical key, and the user's voiceprint library is stored offline, greatly improving data security and user privacy. At the same time, the sound control system integrates intelligent noise reduction technology, and adopts the traditional separation and deep learning method. The system can independently research the ultra-deep coil neural network model (VDCNN) and takes into account the authenticity and unsteady noise inhibition ability to effectively reduce the surrounding environmental noise, automobile speakers, noise and other aspects, and improve users' clear hearing experience when using the AI system. In addition, Guanzhi 2.0 starts from the intelligent two-wheeled vehicle networking solution, configures smooth voice interaction capabilities for the two-wheeled vehicle terminal products, and supports the interaction between mobile phone applications and vehicle terminals, covering areas where touch operations cannot be reached, and synchronously upgrades software and hardware to improve users' all-round experience in riding.


## Customer Service

The Group is committed to providing excellent services, focusing on consumers, opening up the whole process of online and offline services, and creating a new and convenient customer service experience to win customer satisfaction. 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:

**Laws and regulations (including but not limited to)**

- "Consumer Protection Law"
- "Regulations on Liability for Industrial Products Quality"

**Internal measures of the Group**

- "Customer Complaint Management Measures"

We are also committed to understanding the real needs of consumers. If we receive feedback from users, we will explain to users in accordance with the Company's procedures and coordinate the demands of users or merchants to the greatest extent to protect the rights and interests of consumers. During the Reporting Period, the Group received 1,114 complaints about products and services.

**"Excellent + Experience" of Yadea's customers**

The Group insists on bringing high-quality experience to our customers through the "three-heart" and "three-movement" of "worry-free, comfortable and assured" and "active, interactive and touching". We provide 24-hour "one-click rescue" electric vehicle maintenance and rescue services to our customers. The road service specialist of Yadea undertakes to return within 5 minutes, arrive at the fault site for diagnosis within 30 minutes, and conduct on-site maintenance within 15 minutes. For electric vehicles that cannot be solved at the maintenance site, the trailer rescue service will be sent to the nearby service centre.

## Sustainable Distributor Management Mechanism

During the Reporting Period, the Group revised a series of distributor and sales management systems according to the name change of relevant departments, organizational structure adjustment and future development of the Company, including but not limited to the "Management Measures for the Access and Exit of Distributors", the "Distributor Management System Documents" and the "Management Measures for the Credit Extension to Distributors" to select distributors with high quality, trustworthy and good service attitude, strengthen daily supervision, eliminate fraud and other acts, and provide good services to consumers.

At the same time, the Group will provide distributors with training in technical support, distributor product shopping guide, store management, event promotion (including after-sales training and maintenance support), and promote the concept of sustainable customer service together with distributor partners to ensure that distributors have the ability to provide customers with good sales and after-sales experience, and promote high-standard service requirements to overseas distributors. During the Reporting Period, the Group focused on the storage of lithium batteries at the distributor end and the special work on fire safety. The main measures include random inspection of the fire-fighting facilities in the distributor's warehouses from time to time, promotion of explosion-proof cabinets for lithium batteries in stores, promotion of storage of batteries and other goods in different areas, purchase of relevant insurance, and organization of relevant training.

## Customer Privacy Protection

With the rapid development of technology and smart interconnection, we strive to provide users with smart products and services, such as Yadea's U-SMART system, "Xiaodi" voice assistant, voiceprint unlocking, smart screen navigation and other technologies. Therefore, the Group pays close attention to and understands the importance of protecting consumer privacy. We have formulated the "Security and Confidentiality System" and require management units at all levels to manage and use information and documents as required.

The Group is equipped with a terminal transaction database management mechanism, which coordinates and manages the data information inquiry and analysis functions, and monitors the behavior of users to retrieve data to avoid the risk of data leakage. Data related to the Company and our clients could only be accessed by staff members of the customer service department. For relevant project personnel of non-customer service department, if it is necessary to obtain a sample of user information, such as product demand analysis, market research or other projects that are linked to user sensitive information, the keyword section can only be used after review by the Group's big data center and audit and supervision department. The data platform will only show the results that have been processed and automatically calculated, so the operators cannot obtain any individual customer's personal information.

During the Reporting Period, the Group was not aware of any material non-compliance with any complaints or cases regarding the infringement or leakage of consumer information and privacy in its production, sales and after-sales services.

**Achievement: The first enterprise in the industry to pass the five-star after-sales service certification**

In recognition of the Group's comprehensive service management system and its commitment to providing consumers with happy products and services, the Group has obtained national authoritative certification in respect of product after-sales service and has become the first enterprise in the industry to pass the "Five-star National Product After-sales Service Enterprise" and "National After-sales Service Industry TOP10" awarded by the "10th National After-sales Service Conference".


## PEOPLE-ORIENTED, BE FRANK AND HONEST

### Employment

Employees are the main driving force for sustainable development. Therefore, the Group adheres to the core concept of "people-oriented", and strives to retain and recruit talents to join the Yadea family. While striving to create a harmonious and democratic working environment for employees, the Group also ensures that each employee can enjoy equal and non-discriminatory treatment in the process of continuous development.

During the Reporting Period, the Group complied with and strictly complied with the applicable laws, regulations and implemented various internal measures:

**Laws and regulations (including but not limited to)**

- "Labour Law of the People's Republic of China"
- "Labour Contract Law of the People's Republic of China"
- "Social Insurance Law of the People's Republic of China"

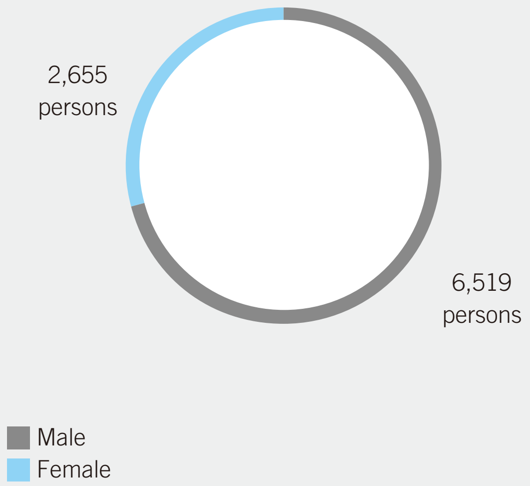
**Internal measures of the Group**

- "Employee Handbook"
- "Recruitment Management Measures"
- "Implementation Rules for Cadre Management"
- "Labour Contract Management Measures"

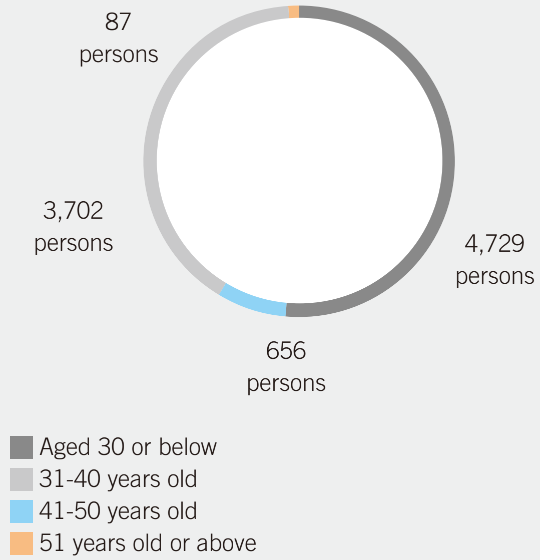
During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

As at the end of the Reporting Period, the Group had a total of 9,174 employees, all of whom were full-time employees. The distribution of employees is as follows:

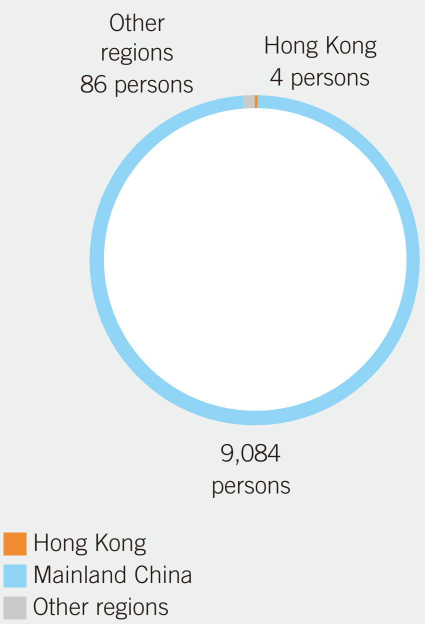
## BY GENDER




## BY AGE




## BY GEOGRAPHICAL REGION



The Group is committed to protecting the legitimate rights and interests of employees by implementing internal measures and formulating labour employment standards, and clarifying relevant employee benefits such as remuneration, recruitment, employment, working hours, equal pay for equal work and holidays, so as to improve the efficiency of human resources and operation management. The Group further ensures information disclosure, legal employment, equal employment, etc., to eliminate discrimination or harassment in the workplace.

Based on the needs of business and development, the Company adheres to the principles of "open recruitment, equal competition, strict assessment and merit-based employment" to recruit outstanding talents from the public and undertakes to provide equal opportunities, regardless of race, religion, colour, national origin, age, gender or any other unfair factors. The Group utilises different external recruitment channels, such as annual campus recruitment and university student training programs. After passing the Company's written examinations, interviews, background checks and physical examinations, the applicants may be employed by the Company as regular employees upon confirmation of their eligibility, and a labor contract will be signed with them to ensure that the rights and obligations of the employees and the Group are protected.

In terms of dismissal, the Group strictly abides by applicable laws and regulations to terminate the labour contract with employees, and the Company or employees can propose to terminate the labour contract. If an employee seriously violates national laws and regulations or violates the Company's rules and regulations and labour discipline, the Company will notify the employee in writing and terminate the labour contract once verified. As at the end of the Reporting Period, a total of 738 employees left the Group. The turnover rate[1] is as follows:

| **By gender** | |
|---|---|
| Male | 8.5% |
| Female | 7.0% |
| **By age** | |
| Aged 30 or below | 10.5% |
| 31-40 years old | 5.2% |
| 41-50 years old | 6.6% |
| 51 years old or above | 4.6% |
| **By geographical region** | |
| Hong Kong | 0% |
| Mainland China | 7.9% |
| Other regions | 23.3% |

1 The calculation formula of employee turnover rate for each category is: number of employee turnover of the category during the Reporting Period/total number of employees of the category as of the end of the Reporting Period x 100%.

The Group is committed to creating a friendly and fair working environment for its employees. We also encourage and allow employees to communicate openly with the management on working conditions without fear of reprisal, threat or harassment. The Group actively advocates a zero-discrimination attitude towards race, social class, nationality, religion, disability, sexual orientation, etc., without interfering with employees' beliefs 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. The labour union is committed to safeguarding the legitimate rights and interests of employees in production safety. The labour union is also responsible for educating employees to strictly abide by various production safety regulations and operating procedures of the enterprise, and cooperating with the safety training policy of the enterprise, so as to enhance the ability of employees in accident prevention and emergency response. The labour union shall actively assist in the administrative implementation of the rules and regulations on enterprise safety and sanitation, and supervise the implementation of national regulations on labour safety and sanitation. At the same time, if the labour union discovers any dangerous operation behavior, obvious hidden dangers of accidents and occupational hazards or endangering the life safety of employees, the labour union has the right to organize employees to evacuate the dangerous place and propose solutions, and require the Group to make timely decisions on administrative matters.

In addition to the above basic rights, it has been the Group's goal to create a healthy and comprehensive working and living environment for its employees. The Group's working environment is equipped with advanced machinery and office appliances, providing employees with a clean and tidy office and living place and dining environment, and providing spacious office area, pantry, library and staff canteen with green plants to enhance employees' satisfaction with the working and living environment. The Group also arranges dormitories close to the workplace for its employees, and provides shuttle bus services and other supporting facilities to facilitate employees to work as much as possible. On the other hand, the Group provides all employees with various subsidies to protect their work and basic life, including but not limited to meal subsidies and high temperature subsidies. During the Reporting Period, the Group provided employees with holiday gifts and employee birthday benefits, including but not limited to birthday parties, Women's Day gifts, Spring Festival shopping cards, etc., and actively carried out various cultural and sports activities for employees, such as group viewing, book sharing, fun sports games, etc., and provided external study opportunities from time to time, so as to promote the growth through learning and empower employees' career development.


**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 2021, we set up a parent-child paradise, a pet paradise and a fun sports meeting, so that employees can bring their family members to experience the charm of the Company's corporate culture, with a total of approximately 6,000 participants.


## Health and Safety

In order to avoid hazards and ensure safe production, the Group adheres to the principle of "Safety First, Care for Life" and urges employees to understand production risks. During the Reporting Period, the Group complied with and strictly complied with the applicable laws, regulations and implemented certain internal safety measures:

**Laws and regulations (including but not limited to)**

- "Production Safety Law of the People's Republic of China"
- "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases"

**Internal measures of the Group**

- "Safety Production Management Measures"
- "Special Equipment Management Measures"
- "External Construction Personnel Management Measures"
- "Fire Safety Management Measures"

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards that would have a significant impact on the Group.

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

### Employee Health

- For different positions, the Group organizes corresponding physical examinations for employees and establishes health records for them to assist them in treatment.
- Optimize the working environment, realize dust-free and harmless working space, and reduce occupational hazards.
- Improve the management system on cafeteria sanitary to ensure food safety.
- Employees are encouraged to participate in sports activities. The Group organises basketball matches and sports games every year to relieve employees' pressure.

### Employee Safety

- Establish 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.
- Conduct mandatory safety training for all employees during induction, and only those passing the exams are allowed to start duties.
- Provide personal protection equipment for employees at production facilities and conducts relevant trainings.
- When all employees are on duty, their mobile phones are placed in the common areas of the plant for management to prevent safety accidents caused by distraction.
- Establish a three-level safety inspection and hazard rectification mechanism.

### Safety Education

- Every June, the Company organizes the Production Safety Month to educate all employees on safety through safety banners, fire drills and training.
- Safety training for production departments is carried out every week, combined with real-time safety conditions to train employees' safety skills and improve safety awareness.
- Organize relevant employees to participate in special operation skills training and three-level safety education to ensure that operators hold relevant licenses.

In the event of a health and safety accident, the Group will immediately follow up and conduct disability identification. If the accident is determined as a work-related injury after investigation, the Group will reimburse relevant personnel for medical expenses the and pay the wages during the work-related injury period. Meanwhile, in order to reduce the possibility of work-related injuries, the Group actively held various safety drills and occupational safety training. During the Reporting Period, the Group carried out fire safety training focusing on fire accident prevention and use of fire extinguishers to improve employees' awareness of fire safety measures and enhance their ability to respond to fire accidents.

Key health and safety data of the Group for the year are set out below:

| Indicators | Unit | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Number of work-related fatalities | Person | 0 | 0 | **0** |
| Rate of work-related fatalities | Percentage | 0% | 0% | **0%** |

| Indicators | Unit | 2021 |
|---|---|---|
| Lost days due to work-related injuries[2] | Days | **313** |
| Production safety investment | RMB0'000 | **189.76** |
| Number of safety education and training | Times | **217** |
| Person-times of safety education and training | Person-times | **9,174** |

Fire Safety Workshop

Practical Training on Use of Fire Extinguishers

## Career Development and Vocational Training

The Group values the contributions of all employees and believes employees are vital to sustainable business growth. The Group has formulated internal management mechanism and provisions through the "Training Control Procedures" and the "Management Measures for Internal Lecturers of Enterprises" to cultivate talents suitable for the Group's operation management and professional technical standards, enhance employees' professional knowledge and skills, develop and cultivate the Group's human resources, so as to achieve the management concept of "selecting, using, cultivating and retaining" talents, and enhance the Group's overall competitiveness.

2 The Group started to disclose the number of working days lost due to work-related injuries since the Reporting Period.

The Group updated and released Yadea's talent development system to clarify different development channels and quality requirements for management personnel and non-management personnel. Each unit also strictly implements the "mentorship system", and assigns "mentors" to new employees, which not only strengthens guidance at work, but also strengthens care and attention in life, helping new employees to adapt to the environment and team as soon as possible, and enhancing the sense of belonging of employees. At the same time, the Group provides employees with systematic non-material incentives, commends and encourages outstanding value contributors, stimulates team atmosphere, and improves subjective initiative of employees. During the Reporting Period, the Group continued to review its organisational structure in light of its growing business to create more development opportunities for existing and new employees.

The Group believes that joint development is beneficial to both the Group's business and its employees. During the Reporting Period, the Group provided various general and professional skills training courses for employees to help them better get on-board. The human resources department launched various talent development programs to accommodate the needs of strategic development. Meanwhile, other departments organized more precise professional training activities for their daily operations. In order to increase the resources and scale of the Group's training, the Group's talent development center continuously enriches the curriculum system, actively cooperates with external institutions, and introduces training courses such as Ruidi Program Training Camp, Lingdi Program, IPD training, thinking guide, quality system training, total quality management (TQM), business etiquette, divisional system reform, cultural consensus and upgrading, etc. For the training stage of new employees, the main focus is to strengthen employees' understanding of corporate culture and value, strengthen employees' cultural education, and enhance cultural identity.

During the Reporting Period, the Group and its bases in different regions organized a total of 13 trainings in different areas, such as the Tutor Program (training for college graduates), the Mingdi Program (training for middle management reserves), the Ruidi Program (training for newly promoted middle management), the Lingdi Program (training for management managers), etc., with a total of approximately 272,372 training hours and an average of approximately 29.7 training hours per employee.

| Indicators | Percentage of employees trained[3] | Average training hours[4] |
|---|---|---|
| Male employees | 71.1% | 29.9 |
| Female employees | 28.9% | 29.2 |
| Senior management | 1.6% | 188.5 |
| Middle management | 2.6% | 53.3 |
| General staff | 95.8% | 26.4 |

3 The calculation formula of the percentage of employees trained in each category is: number of employees trained in the category/total number of employees trained x 100%.

4 The calculation formula of the average training hours of each employee in each category is: total training hours of employees in the category/trained employees in the category.

Detailed training data of the Group during the Reporting Period is as follows:

| Training courses | Total hours (hours) | Total number of employees | Average training hours per employee (hours) |
|---|---|---|---|
| Professional training[5] | 112,768 | 23,242 | 4.85 |
| General training[6] | 27,522 | 9,174 | 3.00 |
| Project training[7] | 103,050 | 10,907 | 9.45 |
| Orientation[8] | 29,032 | 3,629 | 8.00 |


## Labor Standards

Yadea devotes to building up a corporate culture of "User-centric and contributor-oriented". During the Reporting Period, the Group has complied with and strictly complied with applicable laws and regulations and implemented certain internal measures:

**Labour laws and regulations (including but not limited to)**

- "Labour Law of the People's Republic of China"

**Internal measures of the Group**

- "Recruitment Management Measures"

5 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.

6 General training refers to trainings provided for employees at different levels regarding the occupational skills and abilities for specific levels. Such trainings are primarily organised by the Human Resource and Administration Center and the internal lecturers would provide the lectures.

7 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.

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

The Group forbids all kinds of illegal domestic workers, including but not limited to forced labour, straining employees by imprisonment and child labour. The Group endeavours to ensure that all the work is done on a voluntary basis and employees have the rights to leave the position freely upon reasonable notice through transparent resignation procedures. The Group does not require employees to submit government-issued identity cards, passports or work permits for working in the Group, or to keep such certificates in any way. However, the Group will verify basic information of the candidates before inviting them to participate in the interview, and will not provide interview opportunities if the candidates are under the age of 16. Once the Company discovers any non-compliance, it will immediately stop or rectify the non-compliance. At the same time, existing personnel of the Company will be scrutinized to prevent any other non-compliance, and a notice of criticism will be circulated internally, and the correct guidance will be publicized to prevent the recurrence of such non-compliance. During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

## WIN-WIN COOPERATION AND COMPLIANCE

### Supply Chain Management

The Group values its supply chain and believes that a well-established supply chain is the foundation of production efficiency. We have established a series of supplier management measures and systems, including but not limited to:

**Internal measures of the Group**

- “Management Measures for New Supplier Access”
- “Management Measures for Supplier Exit”
- “Supplier Performance Management Measures”
- “Supplier Handbook”
- “Supply Chain and Procurement Process Control Procedures”
- “Management Measures for Production Material Bidding”
- “Management System for Distribution of Supply Proportion”
- “Mould Management Measures”
- “Early Procurement Intervention Process”

During the Reporting Period, the Group had a total of 971 suppliers[9], all of which were located in Mainland China, of which 39% were suppliers passing the quality certification and 11% were suppliers passing the environmental protection and occupational health and safety management system certification. Among all suppliers, 56.2% of which were examined.

With stricter national standards, the Group’s requirements for suppliers are also becoming more stringent, and the strict quality control requirements for each component and process are also detailed. During the Reporting Period, the Group sent representatives to visit and inspect third-party suppliers on a regular basis to investigate, understand the situation and collect samples. During the visits and inspections, the Group has a better understanding of the manufacturing of parts, which helps us to further identify quality, technology, ESG risks in supply chain risk management, and can set common production goals and select quality suppliers with good production quality. In addition, regular communication also helps suppliers to deliver components in a timely manner during peak sales seasons, thereby avoiding possible production delays and obstacles in achieving annual targets.

9 Excluding suppliers with one-off or special purchases.

During the Reporting Period, the Group restructured certain supply chain management procedures as follows:

| | |
|---|---|
| Supplier management and monitoring | List of suppliers authorised 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 and comments recording. |
| Construction and maintenance project management | Through continuous expansion plan and cost optimization, the Group understands the importance of procurement participation in project management, and issued the "Early Procurement Intervention Process" to conduct more comprehensive management and control of different stages of the project. |
| Standardization of procurement agreements | In order to unify the procurement execution and supplier management of different production bases or business divisions, the Group has unified standards and procedures. Each production base and business division is required to follow the standards and procedures, and the Group is responsible for implementing strict supervision. |

Sustainable development is one of the Company's goals. To this end, we pay close attention to the impact of operations from the upstream supply chain on people and the environment. Before engaging suppliers, all suppliers have passed the quality assurance and inspection procedures. Driven by the corporate ESG responsibility and the national dual carbon goals, the Group has tightened the ESG standards of its suppliers during the Reporting Period in addition to continuous requirements on supply quality, and is committed to promoting the low-carbon transformation of its own supply chain. The Group explicitly requires new suppliers to comply with certain ESG measures in the procurement contracts, while conducting inspections on the ESG compliance of existing suppliers. The Group encourages suppliers to obtain certifications related to environmental protection, quality management and occupational health and safety management systems, such as ISO 14001, ISO 9001 and ISO 45001 to play a more proactive role in green procurement.

### Anti-corruption

In order to maintain the integrity of Yadea, the Group has improved the "Yadea Group Integrity Management Regulations (V1.0)", clarified relevant responsibilities of the department and the person in charge of integrity management, and standardized the fraud behavior of the management, governance level, employees or third parties of the audited unit using fraud means to obtain improper or illegal benefits. The Group continued to advocate the "Yadea Group Anti-corruption Proposal" and required distributors and suppliers to sign the "Anti-commercial Bribery Agreement" in the procurement contract. In compliance with the "Criminal Law of the People's Republic of China", the "Anti-unfair Competition Law of the People's Republic of China" 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 has set up an independent department responsible for the supervision and investigation of integrity issues, and encourages whistle-blowing through the implementation of "Yadea Group Whistleblower Protection and Reward System". The scope of whistle-blowing includes material corruption and mental corruption, protection of whistle-blowers, waiver of whistle-blowers, protection of business development and mitigation of responsibilities, and rewards to whistle-blowers. Employees can report through letters, reporting hotlines, emails, WeChat official account, 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. Specific channels for reporting cases include:

1. Complaint mailbox designated by the Audit, Supervision and Legal Center
2. Hotline: 0510-88101338 or 18112399637
3. Email: audit@yadea.com.cn
4. WeChat Anti-corruption Public Account: Yadea Staff Station (Integrity Yadea section)
5. Other ways that the reporter may consider appropriate.

The Group continues to carry out in-depth anti-corruption work through clues found in complaints and reports, inspections, internal audits and special inspections. The Human Resources and Administration Center and the Supervision Department regularly publicize anti-corruption knowledge and complaint channels, improve the anti-corruption awareness and anti-corruption reporting responsibility awareness of all employees, and effectively prevent and control the occurrence of corruption, bribery, insider trading and other issues. During the Reporting Period, the Group was not aware of any material concluded legal cases regarding corrupt practices brought against the Group or its employees and non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering that would have a significant impact on the Group.

Anti-corruption training has been a long-term task of the Group, covering all employees and focusing on key positions. During the Reporting Period, the Group continued to strengthen anti-corruption education, and organized anti-corruption special training for all employees including directors of the Group every year. The requirements of "anti-corruption and compliance management" in the new employee training were taken as a basic course of new employee training, and only new employees who passed the examination could join the Group.

At the same time, the Group has invited professionals to conduct integrity promotion for all employees including the directors of the Group for many times, and explained in detail cases involving corruption and bribery of non-public servants. At the same time, through internal announcements, employee handbooks, departmental morning meetings and other forms, the Group has made multiple advocacy and key explanations to ensure employees' in-depth understanding. In December 2021, the Group conducted the "Anti-corruption and Integrity Education" training for personnel in related positions such as technology, materials, procurement and quality in each base, with a total of more than 1,000 employees participating online and offline.


# GREEN CYCLING AND LOW-CARBON TRANSFORMATION

## Responding to Climate Change

The Group has been focusing on independent research and development of products and technological innovation. Through years of efforts, Yadea has become a high-end electric bike enterprise for the research and development, production and sales of electric two-wheeled vehicles and parts. In recent years, climate change has led to more frequent extreme weather, which has brought significant physical risks to the Group. For example, typhoons, floods caused by heavy rains, etc. have a negative impact on our operations and stable supply chain. In addition, China officially announced the goal of "striving to achieve carbon peak by 2030 and carbon neutrality by 2060" at the seventy-fifth United Nations General Assembly. The Group will be exposed to policy risks of more stringent environmental regulations. Therefore, we attach great importance to investing more resources in identifying climate risks, planning and upgrading the Group's green production model, and developing more low-carbon and environmentally-friendly products to minimize negative impact of our business on the environment, which is one of our goals as a responsible enterprise and a real leader in the electric vehicle industry.

In response to the "dual-carbon" goal, the Group continues to improve the performance of electric bikes and focuses on the research and development of products with lower energy consumption, longer endurance and longer battery life, so as to implement the green environmental protection concept and revolutionary technological innovation to provide customers with green travel experience.

**Achievement: Third Generation of TTFAR Graphene Battery**

The third generation of TTFAR graphene battery independently developed by the Group adopts a new green and environmentally-friendly power alloy made of new graphene compound conductive paste and rare metals. With higher energy density and significantly improved power storage capacity, the battery's resistivity has been effectively reduced and can be recycled for more than 1,000 times. The battery housing uses special co-mixed enhanced nano composite ABS materials to reduce the lead pollution problems caused by battery damage and leakage, recycling, processing, etc., so it is safer, more durable and environmentally friendly. The battery is equipped with TTFAR fast charging charger, and the charging speed is greatly improved. The battery uses high-activity antifreeze electrolyte technology and extreme temperature resistant materials to ensure that the electric bike can respond to temperature difference in four seasons. In addition, the TTFAR system is equipped with energy recovery controllers to convert, recycle and store the power of electric bikes into batteries during the downslope to enhance energy efficiency.

Compared with common lead-acid batteries of the same volume, the capacity of the third generation of TTFAR graphene batteries has increased by approximately 20%-25%, and the battery life has been extended by approximately 3 times. The total range of battery life and the product life cycle of electric bikes have been comprehensively improved, which has slowed down the frequency of battery replacement, and helped reduce the Group's carbon footprint in the production process and the disposal of batteries.


**Achievement: Received the Industry's First "Carbon Footprint" Certificate**

The Group believes that there is a growing concern over the carbon emissions of electric vehicles as a means of transportation. By effectively monitoring carbon emissions, the Group can achieve emission reduction in various aspects such as research and development, design, manufacturing, logistics and distribution, thereby enhancing our core environmental competitiveness. During the Reporting Period, the Group engaged a third-party certification body to conduct carbon footprint accounting and evaluation of its products, and the products were successfully awarded the first carbon footprint evaluation certificate in the industry. We have taken the lead in verifying the carbon footprint of our products in accordance with international carbon footprint standards, which has helped Yadea's products gain a head start in the highly competitive market, while also expanding our low carbon and environmental impact in the market.

**Achievement: The 5th Yadea 717 Cycling Festival**

Green travel has always been an important concept actively advocated by the Group. In addition to continuously improving product performance in the fields of power and endurance, in the face of the global strategic trend of "carbon peak" and "carbon neutrality", we also once again demonstrated our persistence in environmental protection as an industry leader. This "Yadea 717 Cycling Festival" continued to advocate "Green Cycling Challenge", encouraging consumers to actively participate in public welfare cycling, so that green riders can return to life again, and advocated the use of helmets during cycling to ensure safe driving and low-carbon travel lifestyle that can reduce emissions.



## Emission Management

Environmental protection is an indispensable objective of the Group in its business operations. During the Reporting Period, the Group passed all regular inspections by local environmental protection authorities, complied with and strictly complied with applicable environmental laws, regulations and various national standards:

**Environmental laws and regulations (including but not limited to)**

- "Environmental Protection Law of the People's Republic of China"
- "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution"
- "Water Pollution Prevention and Control Law of the People's Republic of China"
- "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste"
- "Environmental Impact Assessment Law of the People's Republic of China"

**National standards**

- "Integrated Wastewater Discharge Standard (GB8978-1996)"
- "Ambient Air Quality Standards (GB3095-2012)"
- "Environmental Quality Standard for Noise (GB3096-2008)"

The Group has adopted effective environmental protection measures in accordance with relevant regulations, standards and the requirements of the Group's system to ensure that its emission meets the standards. Under the Group's overall policies and local regulations, each production base of the Group has formulated management process, standards and emergency plans for three wastes and noise, including the "Control Procedures on Exhaust Gas Management", the "Control Procedures on Wastewater Management", the "Control Procedures on Waste Management", the "Control Procedures on Noise Management", the "Emergency Plan for Hazardous Waste Accidents", the "Regulations on Hazardous Waste Prevention and Control", etc. Each production base is equipped with staff with health, safety and environment ("**HSE**") professional qualifications, and HSE professionals strictly implement the above emission treatment procedures in accordance with the system.

During the Reporting Period, major emissions generated from the Group's operations were as follows:

**Effluent**

- Volatile Organic Compounds ("**VOC**") Production wastewater
- Domestic sewage

**Exhaust gas**

- Industrial exhaust gas from coating process
- Cooking fumes

**Non-hazardous solid waste**

- Waste packaging materials

**Hazardous solid waste**

- Solvents, thinners, paint residue, spent carbon, sludge and others generated during the production

In order to effectively respond to the risk of leakage of hazardous waste or chemicals, the Group handles accidents in accordance with relevant emergency plans. Taking Tianjin production base as an example, the "Special Environmental Emergency Plan for Hazardous Waste" stipulates the following emergency treatment measures and procedures:

1. Approach the spill site from the wind direction, and reckless entry is strictly prohibited.

2. Avoid any electrostatic or fireworks caused by friction and collision. To put out any fire and any other forms of heat and fire sources to reduce the risk of fire and explosion.

3. Using tools that do not generate impact and electrostatic sparks, the leakage is recycled into a closed container and moved to a safe place.

A. Small spills:
Absorb with activated carbon or other inert materials.

B. Significant spills:
Construct an embankment or dig a pit to collect it; cover with sand to reduce vapour hazards. Recycled or transported to waste disposal sites for disposal. In the event of outflow, sand soils are used to block it from restricted space such as sewers and draining ditches, and to avoid a wider pollution.

During the Reporting Period, the Group's total greenhouse gas ("**GHG**") emissions amounted to 21,168.30 tonnes of carbon dioxide equivalent, and the GHG emission intensity per electric vehicle sales was 1.53 kg of carbon dioxide equivalent. The primary emissions data are as follows:

| Types of emissions | Measurement unit | Emissions in 2020 | Emissions in 2021 |
|---|---|---|---|
| **Effluent** | | | |
| Total sewage discharge | Tonnes | 371,993.30 | **331,386.00** |
| Total amount of "Chemical Oxygen Demand" (COD) in sewage | Tonnes | 25.22 | **6.76** |
| Total discharge of ammonia nitrogen in sewage | Tonnes | 3.92 | **1.38** |
| **Exhaust Gas**[10] | | | |
| Total VOC emissions in exhaust gas | Tonnes | 30.52 | **16.51** |
| Total emission of particulate matter in exhaust gas[11] | Tonnes | / | **2.09** |
| Total emission of nitrogen oxides in exhaust gas | Tonnes | 3.87 | **2.84** |
| Total emission of sulphur dioxide in exhaust gas | Tonnes | 2.30 | **2.60** |
| **Waste** | | | |
| Total hazardous waste produced | Tonnes | 593.73 | **463.03** |
| Intensity of hazardous waste produced | kg/per electric vehicle[12] | 0.062 | **0.033** |
| Total non-hazardous waste produced | Tonnes | 4,286.40 | **6,752.28** |
| Intensity of non-hazardous waste produced | kg/per electric vehicle | 0.45 | **0.49** |
| **Greenhouse gases** | | | |
| Total greenhouse gas emissions | $tCO_2e$ | 23,809.85 | **21,168.30** |
| GHG Scope 1 emissions[13] | $tCO_2e$ | 3,972.59 | **4,448.95** |
| GHG Scope 1 removal (tree planting)[14] | $tCO_2e$ | / | **1,685.21** |
| Scope 2 greenhouse gas emissions[15] | $tCO_2e$ | 19,837.25 | **18,404.56** |
| Intensity of greenhouse gas emissions | kg $CO_2e$/Each electric vehicle | 2.07 | **1.53** |

10 Total VOC emission in exhaust gas refers to the emission data monitored at the plant, while total emission of particulate matter, nitrogen oxides and sulphur dioxide includes emission data monitored at the plant, and emission data of the Group's vehicles and machinery.

11 The Group started to disclose total emission data of particulate matter in exhaust gas since the Reporting Period.

12 During the Reporting Period, the Company sold 13,862,800 units of electric vehicles.

13 The calculation method and relevant emission factors of greenhouse gas emissions (Scope 1) from gasoline and fuel consumption in 2021 are based on the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Road Transport Enterprises (Trial)". The calculation methods and relevant emission factors of greenhouse gas emissions (Scope 1) in 2021 are based on the Guidelines for "Accounting and Reporting Greenhouse Gas Emissions from Enterprises in Other Industries (Trial)".

14 The Group started to disclose the GHG Scope 1 emission data since the Reporting Period.

15 Calculated based on the National Grid Average Emission Factor in accordance with the "Guidelines for Accounting and Reporting of Corporate Greenhouse Gas Emissions (Revision 2021)."

The Group aims to reduce air pollutants, greenhouse gases and waste emissions as much as possible through the implementation of relevant measures, and has adopted a number of measures at each base to meet the emission standards:

**Sewage discharge treatment**

Each base has a pipeline to separate clean water and sewage. The sewage is treated in septic tanks and grease traps, and then treated by self-built sewage treatment facilities to ensure that the water quality meets local standards before entering the municipal sewage pipe network. Regular inspections are carried out at each base to ensure that the wastewater standards meet the requirements. In particular, the coating process of Jiangsu base is equipped with a circulating water system. During the Reporting Period, Zhejiang base cooperated with the New District Planning Bureau to carry out the "rectification and transformation of zero direct discharge of sewage" and obtained the drainage permit.

**Air pollution treatment**

The Group uses ready-to-use coatings with VOC content below 420 grams per litre at source. During the process, paint deployment and painting rooms are located in enclosed areas with exhaust gas collection and treatment facilities, with collection efficiency of not less than 90%. The Group's production bases have established relevant treatment facilities and adopted purification treatment or high-altitude emission to ensure that the exhaust gas emissions meet the standards. In particular, all bases have installed VOC detection systems and exhaust gas treatment systems that meet the national environmental protection requirements in the spraying process. In particular, the Tianjin base collects VOC in the paint spraying room, which becomes non-hazardous gas through spraying, four-stage filtration, zeolite rotor, regenerative thermal oxidizer (RTO), etc.; Wuxi base adopts a set of "paint mist washing cabinet, dry filtration, zeolite runner adsorption, RTO desorption" treatment system to treat exhaust gas.

**Non-hazardous solid waste treatment and recycling**

Domestic waste is handed over to the local environmental sanitation department for regular treatment every month, while waste packaging materials are handed over to a third-party agency for recycling and reuse to achieve resource recycling.

**Hazardous waste treatment and recycling**

Each production base of the Group is classified and treated accordingly. In particular, the treatment of hazardous waste in each production base follows the principle of "production management must cover environmental protection". The general manager of hazardous waste prevention and control of the Group is the first person-in-charge, and the "Hazardous Waste Pollution Prevention and Control Leading Group", which is led by the general manager and composed of leaders from various departments, is responsible for setting up a special place for the collection, storage, transfer and other procedures of hazardous waste, and the relevant person-in-charge signs and records the entry and exit details. During the Reporting Period, the Group has engaged enterprises with hazardous waste business licenses and approved business categories to dispose of all hazardous waste or has them recycled.

**Noise pollution treatment**

The production equipment of each base is reasonably distributed in the workshop. After taking into account factors such as sound insulation of the plant and reasonable separation distance of the equipment, the noise of the plant can reach the level 3 standard of the category of environmental function area outside the boundary of the plant in the GB12348-2008 "Emission Standard for Industrial Enterprises Noise at Boundary", ensuring that the production noise of the Group will not affect the local environmental quality.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

## Use of Resources

The Group values the efficiency of resource use. During the Reporting Period, the Group complied with and strictly complied with the applicable laws, regulations and implemented certain internal policies:

**Laws and regulations (including but not limited to)**

- "Water Law of the People's Republic of China"
- "Regulations on Management of Economical Use of Urban Water"
- "Energy Conservation Law"
- "Cleaner Production Promotion Law"

**Internal policies of the Group**

- "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. During the Reporting Period, the Group had no significant problems in sourcing electricity and sourcing water that is fit for purpose.

During the Reporting Period, the Group continued to deepen the 5S model and lean production to improve vehicle production efficiency. There was no material change in the reporting scope as compared to the previous year. The details of resources usage are set forth below:

| Resource Category | Measurement Unit | Consumption in 2020 | Consumption in 2021 |
|---|---|---|---|
| **Energy**[16] | | | |
| Total comprehensive energy consumption (converted)[17] | MWh | 49,454.35 | **45,592.81** |
| Production energy consumption intensity | kWh per electric vehicle | 5.13 | **3.29** |
| Total purchased electricity consumption | MWh | 30,166 | **31,520** |
| Photovoltaic power consumption | MWh | 3,786.4 | **3,457.6** |
| Total gasoline consumption | Ten thousand litres | 9.86 | **12.64** |
| Total diesel consumption | Ten thousand litres | 4.7 | **1.03** |
| Natural gas consumption | Ten thousand cubic meters | 165.9 | **161.9** |
| Liquefied natural gas ("**LNG**")[18] | Ten thousand litres | / | **0.17** |
| Gas consumption[19] | MWh | / | **8.7** |
| **Water resources** | | | |
| Total water consumption | Ten thousand cubic meters | 42.9 | **46.6** |
| Water consumption intensity | cubic meter per electric vehicle | 0.04 | **0.03** |
| **Packaging materials** | | | |
| Packaging material consumption | Tonnes | 63,531.5 | **73,458.2** |
| Packaging material consumption intensity | kg per electric vehicle | 6.59 | **5.30** |

16 The calculation methods and relevant conversion factors for the conversion of energy units are based on the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Enterprises in Other Industries (Trial)", the "Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Road Transport Enterprises (Trial)", and the "Gasoline for Vehicles" (GB17930-2016) and the "Diesel for Vehicles (GB19147-2016)". The calculation methods and relevant emission factors of gasoline and diesel consumption emissions in 2021 are referenced from the "Technical Guidelines for the Compilation of Air Pollutant Emission Inventory for Road Vehicles (Trial)"; the calculation methods and relevant emission factors of machinery diesel consumption emissions in 2021 are referenced from the Technical Guidelines for the Compilation of Air Pollutant Emission Inventory for "Non-road Mobile Sources (Trial)" and "Greenhouse Gas Inventory Guidance-Direct Emissions from Mobile Combustion Sources".

17 The unit of measurement used in 2020 data has been adjusted to improve the reference and comparability.

18 The Group started to disclose the data of LNG usage since the Reporting Period.

19 The Group started to disclose the gas consumption data since the Reporting Period.

In order to improve overall efficiency of the Group's use of energy and water resources, the Group aims to gradually carry out various resource conservation actions through daily operation of each base, and communicate and learn from each other. The main actions are as follows:

### Water Conservation

- Carry out quality control activities, and use Plan-Do-Check-Act (PDCA) quality management rules to diagnose abnormal water consumption problems.
- Use water-saving equipment, and optimize production technologies to realize water recycling.
- Carry out water-saving publicity activities to save water and turn off water and electricity when people leave.

### Renewable Energy

- Jiangsu and Zhejiang production bases continued to rely on photovoltaic power generation, all of which were purchased from photovoltaic power stations developed in cooperation with external institutions. During the Reporting Period, the power station generated a total of 3,576.7 MWh of electricity, satisfying the 3,457.6 MWh of electricity demand in the production base.

### Energy-saving

- We regularly inspect the power distribution stations and carry out preventive inspections, and evaluate the power consumption of new equipment to ensure the safe use of electricity.
- Reasonable use of indoor air-conditioning equipment. The temperature of indoor air-conditioning is controlled below 20 degrees in winter and above 26 degrees in summer.

### Oil and Gas-saving

- Traditional forklifts in the workshop are phased out and replaced by electric forklifts.
- Reduce the frequency of use of business vehicles, and try to use shared travel methods.
- Encourage employees to use their own electric vehicles and public transportation.
- Jiangsu base shut down the paint oven in advance before the completion of production on the same day, and uses the residual temperature paint to reduce the use of natural gas.

**Paper-saving**

- Double-sided printing and ink cartridge filling are adopted for office documents.
- The office is electronic and networked to reduce paper consumption.
- Recycle used items and reduce packaging materials.

### Environment and Natural Resources

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. 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. During the Reporting Period, the Group did not have any significant incident affecting the environment and natural resources.

At the same time, the Group actively developed Yadea's high-end intelligence and adopted the world's advanced Gogoro Network battery exchange technology, resulting in a single-range battery range of up to 130 kilometers for electric vehicles, creating a new future of safe and convenient green travel for consumers. In addition, the Group also focuses on promoting the use of graphene batteries and lithium batteries instead of lead-acid batteries. The Group targets to increase the usage of graphene battery and lithium battery to 50% of its products.

## PUBLIC WELFARE AND CARING FOR COMMUNITY

The Group adheres to the concept of paying close attention to the needs of the community, and gives full play to its own strength and resources to contribute to the building of a harmonious society. The Group actively works with the society to fight against the pandemic, support disaster relief, and help different institutions and communities in need. It also encourages employees to participate in volunteer activities to help build communities and contribute to the society.

### Combating COVID-19

During the Reporting Period, the society was continuously affected by the epidemic. In response to the donation call of the local governments and communities where the Group operates, the Group invested RMB1,010,000 to urgently deploy medical tents, purchase anti-epidemic supplies and donated Yadea's electric vehicles for Zhejiang, Yunnan, Fujian, Vietnam and other disaster-stricken areas, with an aim to improve the mobility of medical staff and material delivery and promote social distancing during the epidemic through green travel mode.


### Disaster Relief

During the Reporting Period, many places in Zhengzhou, Henan and Shanxi also suffered from heavy rains. The Group joined the rescue team and set up a special "Emergency Relief Working Group for Zhengzhou" and donated 1,000 units of new national-standard electric vehicles to Zhengzhou to solve urgent needs of people in the disaster area for daily travel. For the disaster-stricken areas, the Group immediately opened all local stores to help the affected people to avoid difficulties, organized employees to provide free basic assistance services such as drinking water, food and charging, and donated 10,000 kilograms of rice to Shanxi to ensure the safety and health of more people as much as possible. At the same time, the Group has also launched a series of voluntary electric vehicle maintenance services, including providing free electric vehicle maintenance for all electric vehicle users, and disaster relief to promote safe riding.



### Targeted Poverty Alleviation

During the Reporting Period, the Wuxi headquarters of the Group held a press conference of the second series of Guanneng edition with the theme of "Leading Green Travel with Technology" and joined hands with the China Media Group to donate 200 units of the second series of Guanneng edition electric vehicles to Xide County, Liangshan Yi Autonomous Prefecture, Sichuan, with a total of approximately RMB1 million, to help improve community conditions and help rural revitalization. In addition, the Group also donated a total of approximately RMB150,000 worth of clothes to residents in Huining, Gansu to help those in need.


## HKEX ESG REPORTING GUIDE CONTENT INDEX

| Subject Areas, Aspects, General Disclosures and KPIs | | Relevant sections/ explanations in this Report |
|---|---|---|
| **ENVIRONMENTAL ASPECTS** | | |
| **Aspect A1: Emissions** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer;<br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste | Emission Management |
| KPI A1.1 | The types of emissions and respective emissions data | Emission Management |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and intensity | Emission Management |
| KPI A1.3 | Total hazardous waste produced and intensity | Emission Management |
| KPI A1.4 | Total non-hazardous waste produced and intensity | Emission Management |
| KPI A1.5 | Description of emission target(s) set and steps taken to achieve them | Emission Management |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them | Emission Management |
| **Aspect A2: Use of Resources** | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials | Use of Resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type in total and intensity | Use of Resources |
| KPI A2.2 | Water consumption in total and intensity | Use of Resources |
| KPI A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them | Use of Resources |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them | Use of Resources |
| KPI A2.5 | Total packaging material used for finished products and with reference to per unit produced | Use of Resources |
| **Aspect A3: Environment and Natural Resources** | | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources | Environment and Natural Resources |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them | Environment and Natural Resources |
| **Aspect A4: Climate Change** | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer | Responding to Climate Change |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them | Responding to Climate Change |

| Subject Areas, Aspects, General Disclosures and KPIs | | Relevant sections/ explanations in this Report |
|---|---|---|
| **SOCIAL ASPECTS** | | |
| **Aspect B1: Employment** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer;<br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare | Employment |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region | Employment |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region | Employment |
| **Aspect B2: Health and Safety** | | |
| General Disclosure | Information on<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer;<br>relating to providing a safe working environment and protecting employees from occupational hazards | Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities occurred in the past three years | Health and Safety |
| KPI B2.2 | Lost days due to work injury | Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored | Health and Safety |
| **Aspect B3: Development and Training** | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities | Career Development And Vocational Training |
| KPI B3.1 | The percentage of employees trained by gender and employee category | Career Development And Vocational Training |
| KPI B3.2 | The average training hours completed per employee by gender and employee category | Career Development And Vocational Training |
| **Aspect B4: Labour Standards** | | |
| General Disclosure | Information on<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer;<br>relating to preventing child and forced labour | Labor Standards |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour | Labor Standards |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered | Labor Standards |

| Subject Areas, Aspects, General Disclosures and KPIs | | Relevant sections/ explanations in this Report |
|---|---|---|
| **Aspect B5: Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain | Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region | Supply Chain Management |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored | Supply Chain Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored | Supply Chain Management |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored | Supply Chain Management |
| **Aspect B6: Product Responsibility** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer;<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress | Product Quality |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons | Product Quality |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with | Customer Service |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights | Technological Innovation |
| KPI B6.4 | Description of quality assurance process and recall procedures | Product Quality |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored | Customer Privacy Protection |
| **Aspect B7: Anti-corruption** | | |
| General Disclosure | Information on:<br>(a) the polices; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer;<br>relating to bribery, extortion, fraud and money laundering | Anti-corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases | Anti-corruption |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored | Anti-corruption |
| KPI B7.3 | Description of anti-corruption training provided to directors and employees | Anti-corruption |
| **Aspect B8: Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests | Public Welfare and Caring for Community |
| KPI B8.1 | Focus areas of contribution | Public Welfare and Caring for Community |
| KPI B8.2 | Resources contributed to the focus area | Public Welfare and Caring for Community |

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report of the Group for the year ended 31 December 2021.

## 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 (formerly known as the Corporate Governance Code and Corporate Governance Report) ("**CG Code**") as set out in Appendix 14 to the Listing Rules in force during the year ended 31 December 2021 and as at 31 December 2021, and has also put in place certain recommended best practices as set out in the CG Code. Throughout the year ended 31 December 2021, 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 2021. 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)*<br>Ms. Qian Jinghong *(Chief executive officer)*<br>Mr. Shen Yu |
| **Non-executive Director:** | Mr. Zhang Yiyin |
| **Independent Non-executive Directors:** | Mr. Li Zongwei<br>Mr. Wu Biguang<br>Mr. Yao Naisheng<br>Mr. Wong Lung Ming |

The biographical information of the Directors are set out in the section headed "Directors & Senior Management Profiles" from page 63 to page 67 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 indicating their respective roles is published on the websites of the Company and the Stock Exchange.

### (4) Independent non-executive Directors

For the year ended 31 December 2021, 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. They were all re-elected as executive Directors at the annual general meeting held on Friday, 12 June 2020.

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. They were all re-elected as independent non-executive Directors at the annual general meeting held on Friday, 18 June 2021 (the "**2021 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 of the Company (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. Shen Yu, Mr. Zhang Yiyin and Mr. Wong Lung Ming will retire at the annual general meeting to be held on Friday, 17 June 2022 (the "**2022 AGM**"), and, being eligible, offer themselves for re-election at the 2022 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 2021, 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 2021 is set out in the table below:

| Director | Attendance/Number of Meetings<br>Board | Nomination Committee | Remuneration Committee | Audit Committee | General Meeting |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Mr. Dong Jinggui *(Chairman)* | 5/5 | 1/1 | – | – | 1/1 |
| Ms. Qian Jinghong *(Chief executive officer)* | 5/5 | 1/1 | – | – | 1/1 |
| Mr. Shen Yu | 5/5 | – | – | – | 1/1 |
| **Non-executive Director** | | | | | |
| Mr. Zhang Yiyin | 5/5 | 1/1 | 1/1 | 2/2 | 1/1 |
| **Independent Non-executive Directors** | | | | | |
| Mr. Li Zongwei | 5/5 | 1/1 | – | 2/2 | 1/1 |
| Mr. Wu Biguang | 5/5 | 1/1 | 1/1 | 2/2 | 1/1 |
| Mr. Yao Naisheng | 5/5 | 1/1 | 1/1 | 2/2 | 1/1 |
| Mr. Wong Lung Ming | 5/5 | 1/1 | 1/1 | 2/2 | 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

The then applicable 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 then applicable code provision A.2.1 set out in the CG Code as at 31 December 2021.

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

## BOARD COMMITTEES

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

### Nomination Committee

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

The main responsibility of the Nomination Committee includes reviewing the structure, size and composition of the Board on a regular basis and making recommendations on any proposed changes, identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, assess the independence of the independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment, 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; 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 2021, 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, and three independent non-executive Directors, Mr. Wu Biguang (chairman of the Remuneration Committee), Mr. Yao Naisheng and Mr. Wong Lung Ming.

The main responsibilities 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, with delegated responsibility, the terms of the specific remuneration package of each individual 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 2021 was within the range below, biographical details of the members of our senior management are set out in the section headed "Directors & Senior Management Profiles – Senior Management" from page 66 to page 67 of this annual report:

| Range of Remuneration | No. of Person |
|---|---|
| Nil to RMB1,000,000 | – |
| RMB1,000,001 to RMB1,500,000 | 5 |

For the year ended 31 December 2021, the Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration policy and determine 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 2021.

For the year ended 31 December 2021, the Audit Committee held two meetings. The Audit Committee has performed the following work during the year:

(a) Reviewing:

  (i) the audited consolidated financial statements of the Group for the year ended 31 December 2020;

  (ii) the annual results announcement of the Group for the year ended 31 December 2020;

  (iii) the annual report of the Company for the year ended 31 December 2020;

  (iv) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2021;

  (v) the interim results announcement of the Group for the six months ended 30 June 2021; and

  (vi) the interim report of the Company for the six months ended 30 June 2021.

(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 year ended 31 December 2021 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 2021 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 2021 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 2021.

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 83 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 section headed "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" in the Independent Auditor's Report from page 83 to page 84 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 2021 is set out below:

| Service Category | Fee paid/payable RMB'000 |
|---|---|
| Audit services | **5,400** |
| Non-audit services (tax services) | **1,052** |
| Total | **6,452** |

## 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 2021, 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

Following the resignation of Ms. Lam Yuk Ling as one of the joint company secretaries of the Company (the "**Joint Company Secretaries**") with effect from 18 June 2021, Ms. Wong Sau Ping was appointed to fill the causal vacancy. As at 31 December 2021, Mr. Shen Yu and Ms. Wong Sau Ping are 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. Wong Sau Ping is an associate director 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 2021. The biographical details of Mr. Shen Yu and Ms. Wong Sau Ping are set out on page 67 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 enquiries 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 2021, 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 Report is set out from page 13 to page 50 of this annual report.

# DIRECTORS & SENIOR MANAGEMENT PROFILES

## DIRECTORS

### Executive Directors

**Mr. Dong Jinggui (董經貴),** aged 53, 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. Mr. Dong has approximately 20 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.

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

**Ms. Qian Jinghong (錢靜紅),** aged 50, 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 20 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.

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

**Mr. Shen Yu (沈瑜),** aged 47, 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. Mr. Shen has been appointed as the vice president of Wuxi Intellectual Property Association (無錫市知識產權協會) since 2017.

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 39, 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 (吳浟光),** aged 65, 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. (內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 49, 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 audit 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 50, 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 64, 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 (石銳),** aged 45, 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 44, 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 39, 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. Zhou Chao (周超),** aged 42, 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 48, 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 sub-section headed "Directors – Executive Directors" above.

**Ms. Wong Sau Ping (黃秀萍)** was appointed as the Joint Company Secretary on 18 June 2021. Ms. Wong is an associate director of the listing services department of TMF Hong Kong Limited. She has over 21 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. Wong is a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Ms. Wong 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 2021.

## 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 50 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 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 2021 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 50 in this annual report.

## SUBSIDIARIES

Please refer to note 10(a) to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2021 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 2021 and for the preceding four financial years are set out on page 6 of this annual report.

## RESERVES

As at 31 December 2021, distributable reserves of the Group amounted to RMB4,632 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 89 of this annual report.

## FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of 28.0 HK cents per ordinary Share for the year ended 31 December 2021 (the "**Proposed Final Dividend**") (for the year ended 31 December 2020: 19.0 HK cents). The Proposed Final Dividend is subject to the approval of the Shareholders at the forthcoming 2022 AGM and the Proposed Final Dividend will be paid on Friday, 15 July 2022 to Shareholders whose names appear on the register of members of the Company on Wednesday, 29 June 2022.

As at 31 December 2021, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

## ANNUAL GENERAL MEETING

The 2022 AGM will be held on Friday, 17 June 2022. Notice of the 2022 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 2022 AGM, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022, both dates inclusive, during which time no transfer of Shares will be registered. To qualify for attending and voting at the 2022 AGM, Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 13 June 2022 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 Friday, 24 June 2022 to Wednesday, 29 June 2022, 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 share 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 Thursday, 23 June 2022 for registration of the relevant transfer.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2021 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 2021, the Company and its subsidiaries have not issued or granted any convertible securities, options, warrants or other similar rights. The Company did not issue equity securities in consideration of cash.

## 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 3,353 distributors as well as their sub-distributors with over 28,000 points of sales as at 31 December 2021. In respect of international distribution, Yadea has established distribution channels in Germany, France, Switzerland, Italy, United Arab Emirates, India, Argentina, Bolivia, Vietnam, Thailand, etc.

A review and analysis of the Group's business, results and performance during the year ended 31 December 2021, 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's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not currently known to the Group or which may not be material now but could turn out to be material in the future.

### Reliance on third party distributors

We rely on the distribution network to sell our products. There can be no assurance that we will be able to maintain our existing relationships with distributors or to develop relationships with replacement distributors on favorable terms. There can also be no assurance that our existing distributors will be able to maintain past levels of sales or expand their sales.

### Pricing and bargaining power with suppliers

We may be forced to adjust the prices of our products in accordance with market conditions, we cannot assure you that we will not experience any material and adverse effect on our financial results if we lower the prices of our products in future. In addition, we also depend significantly on our bargaining power with our suppliers, slight increases in the cost of our raw materials have a significant impact on our financial results.

### Inadequate intellectual property protection

We rely heavily on our brand, and our continued success and growth depend upon our ability to protect and promote our brand. Counterfeit products and imitations of our brand are potential threats to the strength of our brand, which could reduce demand for our products. We believe that our current intellectual property rights, and those for which we have pending applications, provide protection to our business and are all the rights necessary for our operations. However, there can be no assurance that our intellectual property applications will be approved, that any of our intellectual property rights will adequately protect our intellectual property, that such intellectual property rights will not be challenged by third parties or found to be invalid or unenforceable or that our patents will be effective in preventing third parties from utilizing similar business models, approaches or brand names to offer similar products.

### Risk in relation to international sales and currency risk

We currently sell our products in over 90 countries. Our international sales are subject to various risks, including those relating to political and economic instability, the imposition of foreign tariffs and other trade barriers, fluctuations in foreign exchange rates and foreign exchange limitations or difficulties, the impact of foreign government regulations, the effects of income and withholding taxes, governmental expropriation and differences in business practices. In addition, during our course of operation, we may face currency risk, for details, please refer to section headed "Liquidity and Financial Resources – Currency risk" under the "Management Discussion and Analysis" on page 12 of this annual report.

### Financial Risk

The Group's activities expose it to a variety of financial risks. For details of the financial risk management of the Group, please refer to note 3 to the consolidated financial statements.

## IMPORTANT EVENTS

On 17 December 2021, Yadea Technology Group Co., Ltd., a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Jieshoushi Nandu Huayu Power Co., Ltd., Zhejiang Nandu Power Co., Ltd. (collectively, "**Target Companies**") and the shareholders of the Target Companies to acquire 70% equity interests in each of the Target Companies at a total cash consideration of RMB311,500,000. The transaction was consummated in January 2022. For details of the Acquisition, please refer to section headed "Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies" on page 12 of this annual report.

Save as disclosed above, there were no important events during the year ended 31 December 2021. For important events after the Reporting Period and up to the date of this annual report, please refer to section headed "Events After the Reporting Period" on page 12 of this annual report.

## FUTURE DEVELOPMENT

2021 is a year of challenges and opportunities. Since the start of the COVID-19 pandemic, the Company has observed a shift of demand from public transport to personalised transportation, in order to avoid close contact with the public during the use of mass transport. The Group has also achieved a record breaking annual sales volume of electric two-wheeled vehicles for the year ended 31 December 2021. The management will actively monitor the performance of 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 39.3% to approximately RMB26,967.5 million as compared with the year ended 31 December 2020. Our gross profit increased by approximately 33.5% to approximately RMB4,101.5 million as compared with the year ended 31 December 2020. Profit attributable to the owners of the Company increased by approximately 43.0% to approximately RMB1,369.5 million as compared with the year ended 31 December 2020.

## 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 "**Net Proceeds**").

There were no changes of business plan from that disclosed in the prospectus of the Company dated 9 May 2016 (the "**Prospectus**").

As of 31 December 2021, an analysis of the utilisation of Net Proceeds is as follows:

| Use of Net Proceeds as disclosed in the Prospectus | Amount (RMB million) | Utilised Net Proceeds up to 31 December 2021 (RMB million) | Unutilised Net Proceeds up to 31 December 2021 (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 January 2022** |
| 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 31 December 2021, approximately 87% of the Net Proceeds had been utilized, which was consistent with the use of proceeds as disclosed in the Prospectus. In January 2022, the remaining balance of the Net Proceeds was used for the Acquisition, for details of the Acquisition, please refer to section headed "Significant investment, material acquisitions and disposal of subsidiaries and associated companies" and "Events after the Reporting Period" on page 12 of this annual report.

## CONNECTED TRANSACTIONS

There is no connected transaction conducted during the year ended 31 December 2021.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2021 are set out in note 39 to the consolidated financial statements.

The Directors believe that the related party transactions set out in note 39 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

In September 2021, the Company has purchased from the market a total of 3,168,000 Shares at an aggregate consideration of approximately HKD40.7 million (highest price per share: HKD13.39; lowest price per share: HKD11.88) for the share award schemes adopted by the Company.

Save as disclosed above, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## 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.

## 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 ("**Dai Wei**") and Fang Yuan Investment Company Limited ("**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 such 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 2021.

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 2021.

## DIRECTORS

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

| | |
|---|---|
| **Executive Directors:** | Mr. Dong Jinggui *(Chairman)*<br>Ms. Qian Jinghong *(Chief executive officer)*<br>Mr. Shen Yu |
| **Non-executive Director:** | Mr. Zhang Yiyin |
| **Independent Non-executive Directors:** | Mr. Li Zongwei<br>Mr. Wu Biguang<br>Mr. Yao Naisheng<br>Mr. Wong Lung Ming |

In accordance with the Articles of Association, Mr. Shen Yu, Mr. Zhang Yiyin and Mr. Wong Lung Ming will retire at the 2022 AGM to be held on Friday, 17 June 2022 and, being eligible, offer themselves for re-election at the 2022 AGM.

None of the Directors proposed for re-election at the forthcoming 2022 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 agreement with the Company for an initial term of three years commencing from the Listing Date and is renewable for a further term of three years until terminated by either party by giving not less than three months' notice in writing to the other.

Each of the non-executive Director and the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from the Listing Date or his respective date of appointment and is renewable for a further term of three years.

## 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.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries, and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended 31 December 2021.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

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 2021.

## 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

As at 31 December 2021, 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) as recorded in the register required to by kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

## (i) Interests in Shares of the Company

| Name of Director | Nature of interest | Number of Shares (Note 4) | Approximate number of percentage of shareholding (Note 5) |
|---|---|---|---|
| Mr. Dong Jinggui (Notes 1 & 3) | Interest of controlled corporation/ interest of concert parties | **1,904,160,943 (L)** | **63.58%** |
| Ms. Qian Jinghong (Notes 2 & 3) | Interest of controlled corporation/ interest of concert parties | **1,904,160,943 (L)** | **63.58%** |

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 504,762,859 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) There were 2,995,000,000 Shares in issue as at 31 December 2021.

## (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 2021, 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) as recorded in the register required to by kept by the Company pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2021 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 2021, 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 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 | **1,904,160,943 (L)** | **63.58%** |
| Fang Yuan (Notes 2 & 3) | Beneficial interest/interest of concert parties | **1,904,160,943 (L)** | **63.58%** |

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) There were 2,995,000,000 Shares in issue as at 31 December 2021.

## 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 and 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 approximately 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.

From the adoption date of the Share Option Scheme and up to 31 December 2021, no option has been granted or agreed to be granted under the Share Option Scheme.

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 4 years.

## SHARE AWARD SCHEMES

### (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 remaining life of the First Share Award Scheme is approximately 6 years and 8 months.

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, being 300,000,000 Shares, representing approximately 10.02% of the Shares in issue as at the date of this annual report. 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.

### (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 remaining life of the Fourth Share Award Scheme is approximately 7 years and 3 months.

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, being 150,000,000 Shares, representing approximately 5.01% of the Shares in issue as at the date of this annual report. 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 2021, the Company contributed approximately RMB40.7 million for financing purchases of 3,168,000 Shares, which are currently held by the trustees for the Fourth Share Award Scheme.

The summary below sets out the details of awarded Shares granted as at 31 December 2021 pursuant to the share award schemes:

| Grantee | Date of grant | Balance as at 1 January 2021 | Vested during the year ended 31 December 2021 | Forfeited during the year ended 31 December 2021 | Balance as at 31 December 2021 |
|---|---|---|---|---|---|
| Employees | **9 January 2020** | **75,200,000** | **(22,194,000)** | **(1,066,000)** | **51,940,000** |

For details, please refer to note 34(c) to the consolidated financial statements of this annual report.

## 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.

## PENSION SCHEMES

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

The Group contributes funds which are calculated on fixed percentage of the employees' salary 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-retirement benefits beyond these contributions.

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.

During the year ended 31 December 2021, all Directors were covered under the liability insurance purchased by the Company for the Directors.

## 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 28.2% and the largest supplier accounted for approximately 10.2% of the Group's total purchases for the year ended 31 December 2021.

At no time during the year ended 31 December 2021 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 2021 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.

PricewaterhouseCoopers will retire at the forthcoming 2022 AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming 2022 AGM to reappoint PricewaterhouseCoopers as the external auditor of the Company.

On behalf of the Board
**Dong Jinggui**
*Chairman*

28 March 2022

# INDEPENDENT AUDITOR'S REPORT

pwc

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**"), which are set out on pages 85 to 148, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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.<br><br>The Group recognised revenue of RMB26,968 million from the sales of electric vehicles and related accessories to its customers, mainly distributors, during the year ended 31 December 2021. 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:<br><br>• Understanding, evaluating and testing key internal controls over revenue recognition;<br><br>• 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;<br><br>• 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;<br><br>• Confirming the revenue for the year ended 31 December 2021 and trade receivables as of 31 December 2021 with customers on a sample basis;<br><br>• Performing revenue cut-off test, including examining the goods receipt notes signed by customers right before and after the balance sheet date.<br><br>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, 28 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

(All amounts in RMB unless otherwise stated)

| | Note | Year ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **26,967,532** | 19,360,315 |
| Cost of sales | 7 | **(22,866,048)** | (16,287,085) |
| **Gross profit** | | **4,101,484** | 3,073,230 |
| Selling and distribution expenses | 7 | **(1,282,933)** | (934,911) |
| Administrative expenses | 7 | **(817,889)** | (597,480) |
| Research and development costs | 7 | **(843,685)** | (605,224) |
| Other income and gains – net | 6 | **380,320** | 258,085 |
| **Operating profit** | | **1,537,297** | 1,193,700 |
| Finance costs | 9 | **(15,284)** | (4,550) |
| Share of losses of investments accounted for using the equity method | 17 | **(15,028)** | (2,373) |
| **Profit before income tax** | | **1,506,985** | 1,186,777 |
| Income tax expense | 11 | **(140,342)** | (227,488) |
| **Profit for the year** | | **1,366,643** | 959,289 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **1,369,495** | 957,389 |
| Non-controlling interests | | **(2,852)** | 1,900 |
| | | **1,366,643** | 959,289 |
| **Earnings per share** | | | |
| – Basic (RMB cents per share) | 12 | **47.8** | 33.4 |
| – Diluted (RMB cents per share) | 12 | **47.0** | 32.8 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

(All amounts in RMB unless otherwise stated)

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Profit for the year** | **1,366,643** | 959,289 |
| **Other comprehensive loss** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Fair value loss on an investment in equity instruments at fair value through other comprehensive income | **–** | (89) |
| Exchange difference on translation from functional currency to presentation currency | **(6,503)** | (31,136) |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences arising on translation of foreign operations | **(4,376)** | (5,929) |
| Other comprehensive loss for the year, net of income tax | **(10,879)** | (37,154) |
| **Total comprehensive income for the year** | **1,355,764** | 922,135 |
| **Total comprehensive income attributable to:** | | |
| Owners of the Company | **1,358,616** | 920,235 |
| Non-controlling interests | **(2,852)** | 1,900 |
| | **1,355,764** | 922,135 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2021

(All amounts in RMB unless otherwise stated)

| | Note | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **2,211,613** | 1,499,772 |
| Right-of-use assets | 14 | **927,738** | 492,713 |
| Intangible assets | 15 | **47,620** | 57,113 |
| Investments accounted for using the equity method | 17 | **63,048** | 3,076 |
| Equity investments at fair value through other comprehensive income | 18 | **19,993** | 20,519 |
| Prepayments, deposits and other receivables | 22 | **893,384** | 302,512 |
| Prepayment for acquisition of property, plant and equipment and right-of-use assets | 22 | **42,582** | 48,712 |
| Deferred income tax assets | 23 | **88,444** | 46,047 |
| Other long-term asset | 24 | **98,904** | 172,127 |
| Total non-current assets | | **4,393,326** | 2,642,591 |
| **Current assets** | | | |
| Inventories | 20 | **1,194,213** | 680,246 |
| Trade receivables | 19 | **392,607** | 377,146 |
| Prepayments, deposits and other receivables | 22 | **403,430** | 329,812 |
| Financial assets at fair value through profit or loss | 21 | **3,870,339** | 4,007,963 |
| Debt instruments at fair value through other comprehensive income | 25 | **87,756** | 349,180 |
| Pledged bank deposits | 26 | **2,993,010** | 4,108,483 |
| Term deposits with initial term over 3 months | 27 | **–** | 100,000 |
| Cash and cash equivalents | 28 | **6,073,112** | 3,420,934 |
| Total current assets | | **15,014,467** | 13,373,764 |
| **Total assets** | | **19,407,793** | 16,016,355 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 December<br>2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | 23 | **39,122** | 26,181 |
| Lease liabilities | 14 | **87,132** | 53,689 |
| Deferred income | 29 | **42,853** | – |
| Other non-current liabilities | 30 | **398,410** | 97,671 |
| Total non-current liabilities | | **567,517** | 177,541 |
| **Current liabilities** | | | |
| Trade and bills payables | 31 | **12,758,156** | 10,786,030 |
| Other payables and accruals | 32 | **1,350,294** | 920,268 |
| Contract liabilities | 33 | **134,222** | 364,139 |
| Lease liabilities | 14 | **40,429** | 22,819 |
| Income tax liabilities | | **44,776** | 142,715 |
| Total current liabilities | | **14,327,877** | 12,235,971 |
| **Total liabilities** | | **14,895,394** | 12,413,512 |
| **Net Assets** | | **4,512,399** | 3,602,843 |
| **EQUITY** | | | |
| Share capital | 34 | **187** | 187 |
| Share premium and reserves | | **4,499,989** | 3,589,312 |
| Equity attributable to owners of the Company | | **4,500,176** | 3,589,499 |
| Non-controlling interests | | **12,223** | 13,344 |
| **Total Equity** | | **4,512,399** | 3,602,843 |

The financial statements on page 85 to page 148 were approved for issue by the Board on 28 March 2022 and were signed on its behalf.

*DIRECTOR*
**Dong Jinggui**

*DIRECTOR*
**Qian Jinghong**

# 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 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 |
| 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 |
| **At 1 January 2021** | **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** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1,369,495** | **1,369,495** | **(2,852)** | **1,366,643** |
| Other comprehensive income for the year, net of income tax | **–** | **–** | **–** | **–** | **–** | **–** | **(10,879)** | **–** | **–** | **(10,879)** | **–** | **(10,879)** |
| **Total comprehensive income/(loss)** | **–** | **–** | **–** | **–** | **–** | **–** | **(10,879)** | **–** | **1,369,495** | **1,358,616** | **(2,852)** | **1,355,764** |
| Non-controlling interest arising on set up of a new subsidiary | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1,731** | **1,731** |
| Dividends provided for or paid (Note 35) | **–** | **–** | **(397,626)** | **–** | **–** | **–** | **–** | **–** | **(55,887)** | **(453,513)** | **–** | **(453,513)** |
| Employee share schemes – value of employee services (Note 34) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **21,116** | **–** | **21,116** | **–** | **21,116** |
| Restricted share units vested | **–** | **–** | **18,182** | **–** | **–** | **25,412** | **–** | **(25,448)** | **–** | **18,146** | | **18,146** |
| Repurchase of shares for share award scheme (Note 34) | **–** | **–** | **–** | **–** | **–** | **(33,688)** | **–** | **–** | **–** | **(33,688)** | **–** | **(33,688)** |
| Profit appropriations to statutory reserves | **–** | **–** | **–** | **17,355** | **–** | **–** | **–** | **–** | **(17,355)** | **–** | **–** | **–** |
| **At 31 December 2021** | **187** | **(121,024)** | **–** | **198,093** | **4,574** | **(295,183)** | **(2,128)** | **83,838** | **4,631,819** | **4,500,176** | **12,223** | **4,512,399** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB unless otherwise stated)

| | Note | Year ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 36 | **3,962,315** | 2,393,810 |
| Income tax paid | | **(269,307)** | (176,290) |
| **Net cash generated from operating activities** | | **3,693,008** | 2,217,520 |
| **Cash flows from investing activities** | | | |
| Interest received from bank deposits | | **66,114** | 20,211 |
| Purchases of property, plant and equipment and other-long term asset | | **(954,690)** | (565,970) |
| Purchases of land use rights | | **(434,772)** | (104,775) |
| Proceeds from disposal of property, plant and equipment and intangible assets | | **5,776** | 9,224 |
| Purchase of intangible assets | | **(19,213)** | (61,398) |
| Proceeds from sale of financial assets at fair value through profit or loss | 21 | **56,262,143** | 69,075,759 |
| Payment for financial assets at fair value through profit or loss | 21 | **(55,887,945)** | (69,283,760) |
| Payment for term deposits with initial term of over 3 months | 27 | **(2,300,000)** | (100,000) |
| Proceeds from maturity of term deposits with initial term over 3 months | 27 | **2,400,000** | – |
| Purchase of investments accounted for using the equity method | 17 | **(66,000)** | (5,449) |
| Purchase of equity instruments at fair value through other comprehensive income | 18 | **–** | (3,000) |
| Loans to third parties | 22 | **(2,100)** | (16,832) |
| Refund of prepayment for a financial asset at fair value through profit or loss | 3.3(c) | **3,001** | – |
| Repayment of loans by a related party | 22 | **11,175** | – |
| Repayment of loans by a third party | 22 | **7,877** | – |
| Proceeds from disposal of one subsidiary, net of cash disposed | 10(b) | **39,300** | – |
| Proceeds from government grants relating to the purchase of property, plant and equipment | 29 | **45,013** | – |
| Net cash used in investing activities | | **(824,321)** | (1,035,990) |
| **Cash flows from financing activities** | | | |
| Borrowing | 30 | **300,739** | 97,671 |
| Proceeds from restricted share units vesting | | **18,146** | – |
| Proceeds from non-controlling shareholder arising on set up of a new subsidiary | | **1,731** | – |
| Dividends paid to the Company's owners | 35 | **(453,513)** | (264,219) |
| Repurchase of shares | 34(b) | **(33,688)** | (170,165) |
| Repayments of lease liabilities | | **(40,860)** | (22,001) |
| Net cash used in financing activities | | **(207,445)** | (358,714) |
| **Net increase in cash and cash equivalents** | | **2,661,242** | 822,816 |
| Cash and cash equivalents at beginning of the year | | **3,420,934** | 2,636,553 |
| Effect of foreign exchange rate changes | | **(9,064)** | (38,435) |
| **Cash and cash equivalents at end of the year** | | **6,073,112** | 3,420,934 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB unless otherwise stated)

## 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").

*(b) Historical cost convention*

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets 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 2021:

– Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and 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 2021 reporting period 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 2020 and 2021.

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 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 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 | 20-40 years |
| Plant and machinery | 5-10 years |
| Motor vehicles | 4-10 years |
| Office equipment | 3-5 years |
| Other equipment | 3-10 years |

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 | 3-10 years |
| Patents | 3 years |

## 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 2020 and 2021.

### 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** | |
|---|---|---|
| | **31/12/2021** | 31/12/2020 |
| | **RMB'000** | RMB'000 |
| USD | | |
| – Cash and cash equivalents | **451,813** | 142,804 |
| – Trade receivable | **22,040** | 93,702 |
| | **473,853** | 236,506 |

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** | |
|---|---|---|
| | **2021** | 2020 |
| | **Increase/ (decrease)** | Increase/ (decrease) |
| | **RMB'000** | RMB'000 |
| RMB – USD | | |
| Appreciation of RMB by 5% | **(19,236)** | (10,633) |
| Depreciation of RMB by 5% | **19,236** | 10,633 |

# 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 26), term deposits with initial term over 3 months (Note 27) and cash and cash equivalents (Note 28). 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 31 December 2021 would have been approximately RMB7,478,000 (2020: RMB9,016,000) 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| At the beginning of the year | **(4,413)** | (2,306) |
| Provision for doubtful receivables | **(3,615)** | (2,107) |
| At the end of the year | **(8,028)** | (4,413) |

*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 2021 and 2020, the Group assessed and concluded the ECL for other receivables was insignificant and thus no loss allowance was recognised.

*Pledged bank deposits/term deposits with initial term over 3 months/cash and cash equivalents*

Credit risk on 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 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 pledged bank deposits/term deposits with initial term over 3 months/cash and cash equivalents is considered to be insignificant.

*Debt investments at FVTOCI*

Debt investments at FVTOCI are notes receivable.

There was no loss allowance for debt investments at FVTOCI as at 31 December 2021 and 2020.

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Financial risk factors (Continued)

*(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 2021** | | | | |
| Trade and bills payables | **12,758,156** | **–** | **–** | **12,758,156** |
| Other payables and accruals* | **927,659** | **–** | **–** | **927,659** |
| Lease liabilities | **40,534** | **35,300** | **65,587** | **141,421** |
| Other non-current liabilities | **–** | **–** | **398,410** | **398,410** |
| | **13,726,349** | **35,300** | **463,997** | **14,225,646** |
| **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 liabilities | – | – | 97,671 | 97,671 |
| | 11,454,031 | 18,174 | 143,250 | 11,615,455 |

* 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 2021 and 2020.

### 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 2021 and 2020.

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **As at 31 December 2021** | | | | |
| Financial assets at FVTPL | | | | |
| – Wealth management products and structured deposits | **–** | **3,740,442** | **–** | **3,740,442** |
| – Listed equity investment | **42,800** | **–** | **–** | **42,800** |
| – Unlisted equity investment | **–** | **–** | **61,633** | **61,633** |
| – Bond investment | **–** | **25,464** | **–** | **25,464** |
| Equity instrument at FVTOCI | **–** | **–** | **19,993** | **19,993** |
| Debt instrument at FVTOCI | **–** | **87,756** | **–** | **87,756** |
| Total | **42,800** | **3,853,662** | **81,626** | **3,978,088** |
| **As at 31 December 2020** | | | | |
| Financial assets at FVTPL | | | | |
| – Wealth management products and structured deposits | – | 3,962,963 | – | 3,962,963 |
| – Unlisted equity investment | – | – | 45,000 | 45,000 |
| – Bond investment | – | – | – | – |
| Equity instrument at FVTOCI | – | – | 20,519 | 20,519 |
| Debt instrument at FVTOCI | – | 349,180 | – | 349,180 |
| Total | – | 4,312,143 | 65,519 | 4,377,662 |

# 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 instruments at FVTOCI and FVTPL.

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 2021 and 2020.

| 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 |
|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | | | **2021** | 2020 | |
| Equity instrument at FVTOCI | **19,993** | 20,519 | Market approach | Discount for lack of marketability | **40%** | 40% | The higher the DLOM, the lower the fair value. |
| Financial assets at FVTPL | | | | | | | |
| – Unlisted equity investment | **61,633** | 45,000 | See below (ii) | – | **–** | – | – |

# 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 years ended 31 December 2020 and 2021:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| At the beginning of the year | **65,519** | 18,731 |
| Addition in the current year (ii) | **61,633** | 48,000 |
| Fair value change recognised in OCI | **–** | (89) |
| Reclassified to level 1 (i) | **(41,999)** | – |
| Refund of prepayment for an investment (i) | **(3,001)** | – |
| Currency translation difference | **(526)** | (1,123) |
| At the end of the year | **81,626** | 65,519 |

(i) The Group purchased pre-IPO ordinary shares of a private company at a consideration of RMB45,000,000 in November 2020. As the related ordinary shares were publicly traded starting from January 2021, the investment of RMB41,999,000 was reclassified to level 1 financial instrument and the remaining investment of RMB3,001,000 was refunded to the Group.

(ii) In April 2021, the Group entered into a partnership agreement with an equity fund (the "Fund") to subscribe for the shares of the Fund as a Limited Partner ("LP"). Pursuant to the partnership agreement, the Group made a capital injection of RMB41,633,000 to the fund and accounted for the investment as a financial asset at fair value through profit or loss. The Company managed and evaluated the performance of the Fund on a fair value basis, and estimated the fair value as of 31 December 2021 based on the latest comparable transaction price of independent third party investors.

In December 2021, the Group made a capital injection of RMB20,000,000 to an unlisted company engaged in developing AI chip to obtain 3% equity interests in the unlisted company. The Company managed and evaluated the performance of the unlisted company on a fair value basis, and estimated the fair value as of 31 December 2021 based on the latest comparable transaction price of independent third party investors.

# 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 2021, a deferred income tax asset of RMB88,444,000 (2020: RMB46,047,000) 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 23.

## 5 REVENUE AND SEGMENT INFORMATION

### 5.1 Disaggregation of revenue from contract with customers

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Types of goods** | | |
| Electric scooters | **10,208,564** | 8,659,503 |
| Electric bicycles | **9,767,681** | 5,840,153 |
| Batteries and chargers | **6,583,763** | 4,532,919 |
| Electric two-wheeled vehicle parts | **407,524** | 327,740 |
| | **26,967,532** | 19,360,315 |
| **Timing of revenue recognition** | | |
| At point in time | **26,967,532** | 19,360,315 |

*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 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Other income | | |
| Government grants | **75,300** | 84,717 |
| Bank interest income | **81,150** | 20,211 |
| Others | **15,603** | 16,632 |
| | **172,053** | 121,560 |
| Other gains | | |
| Net fair value gains on financial assets at FVTPL | **232,651** | 186,285 |
| Gain from disposal of one subsidiary (Note 10) | **1,055** | – |
| Net foreign exchange loss | **(7,627)** | (4,098) |
| Net loss on disposal of property, plant and equipment and intangible assets | **(21,523)** | (11,077) |
| Donations | **(246)** | (27,241) |
| Others | **3,957** | (7,344) |
| | **208,267** | 136,525 |
| | **380,320** | 258,085 |

## 7 EXPENSE BY NATURE

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Raw materials and consumables used | **22,226,264** | 15,907,131 |
| Employee benefits expenses | **1,518,681** | 982,781 |
| Advertising expenses | **364,720** | 281,937 |
| Freight expenses | **299,155** | 288,468 |
| Outsourcing labor fee | **188,253** | 158,354 |
| Travelling and transportation expenses | **167,104** | 104,233 |
| Depreciation of property, plant and equipment | **163,269** | 108,162 |
| Outsourcing processing fee | **161,611** | 108,808 |
| Consulting and professional service expenses | **141,576** | 100,142 |
| Amortisation of other long-term assets | **73,223** | 66,028 |
| Product design fee | **67,971** | 45,223 |
| Depreciation of right-of-use assets | **47,317** | 26,400 |
| Amortisation of intangible assets | **28,005** | 19,627 |
| Short-term and low-value lease | **7,153** | 5,461 |
| Auditor's remuneration | **6,452** | 4,250 |
| – Audit services | **5,400** | 3,050 |
| – Non-audit services | **1,052** | 1,200 |
| Other expenses | **349,801** | 217,695 |
| **Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses** | **25,810,555** | 18,424,700 |

## 8 EMPLOYEE BENEFIT EXPENSES

| | Year ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Wages, salaries and bonuses | **1,269,270** | 824,756 |
| Defined contribution plans (a) | **71,631** | 15,952 |
| Other social security costs, housing benefits and other employee benefits | **156,664** | 92,590 |
| Share-based compensation expenses (Note 34) | **21,116** | 49,483 |
| | **1,518,681** | 982,781 |

### (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 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. To provide relief to businesses impacted by the COVID-19, the Chinese government announced the rules of reduction and exemption of corporate social insurance contributions in 2020. Following the rules, the social insurance contributions of the Group with the amount of RMB17,727,000 were exempted for the year ended 31 December 2020.

### (b) Directors' emoluments

| | For the year ended 31 December 2021 | | | |
|---|---|---|---|---|
| | Fees RMB'000 | Salaries and other allowance RMB'000 | Retirement benefit scheme contribution RMB'000 | Total RMB'000 |
| **Executive Directors:** | | | | |
| Ms. Jinghong Qian | – | **1,034** | **98** | **1,132** |
| Mr. Jinggui Dong | – | **2,605** | **88** | **2,693** |
| Mr. Yu Shen | – | **771** | **19** | **790** |
| **Independent non-executive Directors:** | | | | |
| Mr. Biguang Wu | **249** | – | – | **249** |
| Mr. Zongwei Li | **249** | – | – | **249** |
| Mr. Naisheng Yao | **249** | – | – | **249** |
| Mr. Wong Lung Ming | **249** | – | – | **249** |
| **Non-executive Director:** | | | | |
| Mr. Yiyin Zhang | **249** | – | – | **249** |
| | **1,245** | **4,410** | **205** | **5,860** |

## 8 EMPLOYEE BENEFIT EXPENSES (Continued)

### (b) Directors' emoluments (Continued)

| | For the year ended 31 December 2020 | | | |
|---|---|---|---|---|
| | Fees<br>RMB'000 | Salaries and other allowance<br>RMB'000 | Retirement benefit scheme contribution<br>RMB'000 | Total<br>RMB'000 |
| **Executive Directors:** | | | | |
| 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. Naisheng Yao | 252 | – | – | 252 |
| Mr. Wong Lung Ming | 252 | – | – | 252 |
| **Non-executive Director:** | | | | |
| Mr. Yiyin Zhang | 252 | – | – | 252 |
| | 1,260 | 4,395 | 161 | 5,816 |

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.

In 2020, the Group provided 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. The Group did not provide such benefit in 2021.

## 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 (2020: one) Director whose emoluments are reflected in the analysis shown in Note 8(b). The emoluments payable to the remaining four (2020: four) individuals during the years are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Salaries, allowances and benefits in kind | **7,755** | 6,317 |
| Pension scheme contributions and social welfare | **144** | 70 |
| | **7,899** | 6,387 |

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 | |
|---|---|---|
| | **2021** | 2020 |
| HKD1,500,001 to HKD2,000,000 | **–** | 2 |
| HKD2,000,001 to HKD2,500,000 | **2** | 2 |
| HKD2,500,001 to HKD3,000,000 | **2** | – |
| | **4** | 4 |

## 9 FINANCE COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Interest charges for lease liabilities (Note 14) | **6,174** | 3,328 |
| Other interest expenses (Note 30) | **9,110** | 1,222 |
| | **15,284** | 4,550 |

## 10 SUBSIDIARIES

### (a) Principle subsidiaries information

The Group's principal subsidiaries at 31 December 2021 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 2021 | 2020 | 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 |
| 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 |
| 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 |
| 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 |

## 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 2021 | 2020 | Principal activities |
|---|---|---|---|---|---|---|
| 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 |
| 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 |
| 江蘇雅迪智能科技有限公司* (Jiangsu Yadea Intelligent Technology 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 |
| 上海雅迪信息技術有限公司* (Shanghai Yadea Information Technology Co., Ltd.)* | Shanghai, the PRC, 15 May 2015 | RMB10,000,000 | RMB10,000,000 | **100%** | 100% | Design and research of vehicles |
| 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% | Development, manufacture and sale of electric vehicles and Accessories |
| 重慶雅迪電動車銷售有限公司* (Chongqing Yadea Motorcycle Sales 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 2021 | 2020 | 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.)* | Lu'an, 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 | RMB20,000,000 | – | **100%** | 100% | E-commerce 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 |
| 安徽小迪機車零部件有限公司* (Anhui Xiaodi Motorcycle Accessories Co., Ltd.)* | Lu'an, the PRC, 14 September 2021 | RMB10,000,000 | – | **100%** | – | Manufacture and sale of accessories |
| 安徽威弗萊電動車銷售有限公司* (Anhui Vfly Motorcycle Sales Co., Ltd.)* | Lu'an, the PRC, 13 December 2021 | RMB10,000,000 | – | **100%** | – | Sale of electric vehicles and accessories |
| 浙江雅迪電動科技有限公司* (Zhejiang Yadea Electric Technology Co., Ltd.)* | Ningbo, the PRC, 1 February 2021 | RMB20,000,000 | RMB15,000,000 | **100%** | – | Development, manufacture and sale of electric vehicles and accessories |
| 江蘇雅迪新能源機車有限公司* (Jiangsu Yadea New Energy Motorcycle Co., Ltd.)* | Xuzhou, the PRC, 8 February 2021 | RMB100,000,000 | – | **100%** | – | Development, manufacture and sale of electric vehicles and accessories |
| 無錫雅迪動力科技有限公司* (Wuxi Yadea Power Technology Co., Ltd.)* | Wuxi, the PRC, 1 February 2021 | RMB50,000,000 | RMB17,300,000 | **100%** | – | Manufacture and sale of accessories |
| 樂迪智能科技(江蘇)有限公司# (Ledi Intelligent Technology (Jiangsu) Co., Ltd.)# | Wuxi, the PRC, 27 October 2021 | RMB10,000,000 | RMB9,000,000 | **72.7%** | – | Technical service |

## 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 2021 | 2020 | Principal activities |
|---|---|---|---|---|---|---|
| 無錫雅迪電動車技術有限公司* (Wuxi Yadea Motorcycle Technology Co., Ltd.)* | Wuxi, the PRC, 1 June 2021 | USD50,000,000 | – | 100% | – | Technical service |
| 廣西雅迪科技發展有限公司* (Guangxi Yadea Technology Development Co., Ltd.)* | Guigang, the PRC, 11 August 2020 | RMB5,000,000 | – | 100% | – | Development, manufacture and sale of electric vehicles and accessories |
| 天津雅迪智能科技有限公司* (Tianjin Yadea Intelligent Technology Co., Ltd.)* | Tianjin, the PRC, 21 January 2021 | RMB10,000,000 | – | 100% | – | Development, manufacture and sale of electric vehicles and accessories |
| 雅迪科技集團供應鏈管理有限公司* (Yadea Technology Group Supply Chain Management Co., Ltd.)* | Xuzhou, the PRC, 20 February 2021 | RMB50,000,000 | – | 100% | – | Manufacture and sale of accessories |
| 江蘇雅迪電動科技有限公司* (Jiangsu Yadea Electric Technology Co., Ltd.)* | Wuxi, the PRC, 26 September 2021 | RMB20,000,000 | – | 100% | – | Development, manufacture and sale of electric vehicles and accessories |

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

### (b) Disposal of one subsidiary

In August 2021, the Group sold its 100% equity interest in Wuxi Yadea Real Estate Co.,Ltd. ("Yadea Real Estate"), a company engaged in the development of real estate in mainland China, to a third party for a consideration of RMB55,476,000. The revenue and net income relating to Yadea Real Estate up to the date of the disposal were nil and RMB1,761,000, respectively.

| | Yadea Real Estate RMB'000 |
|---|---|
| Cash consideration received | 55,476 |
| Total disposal consideration | 55,476 |
| Total net assets disposed | (54,421) |
| – Cash and cash equivalents disposed | (16,176) |
| – Net book value of land use rights disposed | (38,245) |
| Gain on disposal | 1,055 |

## 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Current PRC Enterprise Income Tax | **169,798** | 234,435 |
| Deferred income tax (Note 23) | **(29,456)** | (6,947) |
| Total tax charge for the year | **140,342** | 227,488 |

### (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 2021 and 2020, 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 2021 (2020: 25%) except:

- 雅迪科技集團有限公司 (Yadea Technology Group Co., Ltd.), 廣東雅迪機車有限公司 (Guangdong Yadea Motorcycle Co., Ltd.), 天津雅迪實業有限公司 (Tianjin Yadea Industry Co., Ltd.), 浙江雅迪機車有限公司 (Zhejiang Yadea Motorcycle Co., Ltd.) and 安徽雅迪機車有限公司 (Anhui Yadea Motorcycle Co.,Ltd.) obtained/renewed 'New High-tech Enterprise' qualification in 2021, 2020, 2020, 2019 and 2019, respectively. They were entitled to a preferential CIT rate of 15% for a three-year period since the qualification day. The applicable CIT rate of these entities was 15% in 2021.

- Pursuant to the relevant laws and regulations in the PRC, 重慶雅迪電動車銷售有限公司 (Chongqing Yadea Motorcycle Sales Co., Ltd.) is qualified as a company under the development strategy of the PRC's western region and is able to enjoy a preferential income tax rate of 15%. The tax preference for the western region development are valid until 2030.

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 Administrative Region 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 were subject to a withholding tax rate of 5%.

### (e) PRC corporate income tax ("CIT")

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 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Profit before tax | **1,506,985** | 1,186,777 |
| Tax at the statutory tax rate (25%) | **376,746** | 296,694 |
| Tax effect of preferential tax rate | **(134,014)** | (82,985) |
| Tax credit for qualified research and development expenses | **(92,089)** | (56,198) |
| Tax credit for RSUs vested | **(49,411)** | – |
| Withholding tax of appropriation of dividend (i) | **36,472** | 41,044 |
| Tax effect of expenses not deductible for tax purpose and other effect | **3,595** | 20,475 |
| Utilization/recognition of previously unrecognised tax losses and timing difference | **(10,452)** | – |
| Tax losses and temporary differences for which no deferred tax assets were recognised | **9,495** | 8,458 |
| Income tax expense for the year | **140,342** | 227,488 |

*(i) Withholding tax*

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. In 2021, withholding tax of RMB36,472,000 was recognised for 50% of the PRC subsidiaries' profits for the year ended 31 December 2021 to be distributed. 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 RMB3,493,868,000 as at 31 December 2021 (31 December 2020: RMB2,764,428,000).

## 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 | |
|---|---|---|
| | **2021** | 2020 |
| Profit attributable to owners of the Company (RMB'000) | **1,369,495** | 957,389 |
| Weighted average number of ordinary shares in issue (thousand shares) | **2,862,212** | 2,863,176 |
| Basic earnings per share (in RMB cents/share) | **47.8** | 33.4 |

### (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 and 2021, 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 | |
|---|---|---|
| | **2021** | 2020 |
| Profit attributable to owners of the Company arising from (RMB'000): | **1,369,495** | 957,389 |
| Weighted average number of ordinary shares in issue (thousand shares) | **2,862,212** | 2,863,176 |
| Adjustments for share based compensation – RSUs (thousand shares) | **53,389** | 55,951 |
| Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares) | **2,915,601** | 2,919,127 |
| Diluted earnings per share (in RMB cents/share) | **47.0** | 32.8 |

## 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 2021** | | | | | | | |
| 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** |
| **Year ended 31 December 2021** | | | | | | | |
| Opening net book amount | **1,007,642** | **131,179** | **12,045** | **17,699** | **32,103** | **299,104** | **1,499,772** |
| Additions | **95,029** | **176,612** | **9,983** | **25,131** | **25,312** | **691,950** | **1,024,017** |
| Transfers* | **348,583** | **47,401** | **181** | **1,727** | **2,291** | **(520,392)** | **(120,209)** |
| Depreciation charge (Note 7) | **(113,001)** | **(26,787)** | **(4,726)** | **(9,161)** | **(9,594)** | **–** | **(163,269)** |
| Disposal | **(2,984)** | **(18,632)** | **(996)** | **(2,058)** | **(4,028)** | **–** | **(28,698)** |
| Closing net book amount | **1,335,269** | **309,773** | **16,487** | **33,338** | **46,084** | **470,662** | **2,211,613** |
| **At 31 December 2021** | | | | | | | |
| Cost | **1,798,955** | **388,298** | **45,767** | **74,804** | **86,041** | **470,662** | **2,864,527** |
| Accumulated depreciation | **(463,686)** | **(78,525)** | **(29,280)** | **(41,466)** | **(39,957)** | **–** | **(652,914)** |
| Net book amount | **1,335,269** | **309,773** | **16,487** | **33,338** | **46,084** | **470,662** | **2,211,613** |
| **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 7) | (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 |

* The net amount of transfers represents the amount transferred to intangible assets and advance payments to customers.

## 13 PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2021, the application for the property ownership certificates for certain buildings with an aggregate net book value of approximately RMB380,803,000 (2020: RMB157,721,000) 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 2021, certain of the Group's buildings and construction in progress with an aggregate net carrying amount of RMB433,767,000 (2020: RMB364,857,000) 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Right-of-use assets** | | |
| Land use rights | **799,530** | 415,351 |
| Leased property | **128,208** | 77,362 |
| | **927,738** | 492,713 |
| **Lease liabilities** | | |
| Current | **40,429** | 22,819 |
| Non-current | **87,132** | 53,689 |
| | **127,561** | 76,508 |

Additions to the right-of-use assets during the 2021 financial year were RMB521,578,000 (2020: RMB166,366,000).

As disclosed in Note 10(b), in August 2021, the Group sold its 100% equity interest in Yadea Real Estate to a third party. The net book value of the land use rights of Yadea Real Estate was RMB38,245,000 at the disposal date.

As at 31 December 2021, certain of the Group's land use rights with an aggregate net carrying amount of RMB514,794,000 (2020: RMB78,604,000) 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 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Depreciation charge of right-of-use assets** | | |
| Land use rights | **12,348** | 8,640 |
| Leased property | **34,969** | 17,760 |
| | **47,317** | 26,400 |
| Interest expense (included in finance costs) (Note 9) | **6,174** | 3,328 |
| Expense relating to short-term leases | **6,975** | 5,395 |
| Expense relating to leases of low-value assets that are not shown above as short-term leases | **178** | 66 |

The total cash outflow for leases in 2021 was RMB47,383,000 (2020: RMB27,396,000).

### (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.

## 15 INTANGIBLE ASSETS

| | Software RMB'000 | Patents RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Year ended 31 December 2021** | | | |
| **Cost** | | | |
| Opening net book amount | **23,090** | **34,023** | **57,113** |
| Additions | **23,113** | **3,000** | **26,113** |
| Amortisation charge (Note 7) | **(13,449)** | **(14,556)** | **(28,005)** |
| Disposal | **(920)** | **(6,681)** | **(7,601)** |
| Closing net book amount | **31,834** | **15,786** | **47,620** |
| At 31 December 2021 | | | |
| Cost | **79,126** | **36,434** | **115,560** |
| Accumulated amortisation | **(47,292)** | **(20,648)** | **(67,940)** |
| Net book amount | **31,834** | **15,786** | **47,620** |
| **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 | 104,157 |
| Accumulated amortisation | (35,558) | (11,486) | (47,044) |
| Net book amount | 23,090 | 34,023 | 57,113 |

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Financial assets** | | |
| Financial Assets at FVTPL | **3,870,339** | 4,007,963 |
| Financial assets at amortised cost | **9,625,339** | 8,145,077 |
| – Cash and cash equivalents | **6,073,112** | 3,420,934 |
| – Pledged bank deposits | **2,993,010** | 4,108,483 |
| – Term deposits with initial term over 3 months | **–** | 100,000 |
| – Trade receivable | **392,607** | 377,146 |
| – Other receivables | **166,610** | 138,514 |
| Equity instruments at FVTOCI | **19,993** | 20,519 |
| Debt instruments at FVTOCI | **87,756** | 349,180 |
| | **13,603,427** | 12,522,739 |
| **Financial liabilities** | | |
| At amortised cost: | | |
| – Trade and bills payable | **12,758,156** | 10,786,030 |
| – Other payables and accruals* | **927,659** | 645,151 |
| – Other non-current liabilities | **398,410** | 97,671 |
| – Lease liabilities | **127,561** | 76,508 |
| | **14,211,786** | 11,605,360 |

* Excluding staff costs and welfare accruals and other taxes.

## 17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Associates | **63,048** | 3,076 |

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| At the beginning of the year | **3,076** | – |
| Additions | **75,000** | 5,449 |
| Share of loss of investments accounted for using the equity method | **(15,028)** | (2,373) |
| At the end of the year | **63,048** | 3,076 |

In January 2021, the Group made a capital injection of RMB66,000,000 to an unlisted company engaged in developing and sales of replaceable battery for electric scooters and electric bicycles business to obtain 40% equity interests in the unlisted company.

In December 2021, the Group used its intangible assets as capital contribution to an associate and retained 40% equity interests in the entity before and after the contribution. The Group recognised a realised gain of RMB2,255,000 at 60% of the difference between the fair value of RMB9,000,000 and carrying value of RMB5,241,000 of the intangible assets.

The Company's investments in associates accounted for using equity method are not considered material individually or aggregately during the years ended 31 December 2020 and 2021.

## 18 EQUITY INVESTMENTS AT FVTOCI

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Unlisted equity investments | **19,993** | 20,519 |

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 fair value loss were recognised in OCI:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Loss recognised in OCI | **–** | (89) |

## 19 TRADE RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Trade receivables | **400,635** | 381,559 |
| Less: allowance for credit losses | **(8,028)** | (4,413) |
| | **392,607** | 377,146 |

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 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Within 6 months | **385,167** | 369,840 |
| over 6 months | **7,440** | 7,306 |
| | **392,607** | 377,146 |

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

## 20 INVENTORIES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Raw materials | **756,503** | 358,463 |
| Finished goods | **437,710** | 321,783 |
| | **1,194,213** | 680,246 |

No inventory provision was made for the years ended 31 December 2021 and 2020.

## 21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Wealth management products and structured deposits | **3,740,442** | 3,962,963 |
| Listed equity investment | **42,800** | – |
| Unlisted equity investment | **61,633** | 45,000 |
| Bond investment | **25,464** | – |
| | **3,870,339** | 4,007,963 |

As at 31 December 2021, the Group's wealth management products and structured deposits with a carrying amount of RMB943,000,000 (2020: RMB1,340,000,000) were pledged as security for the Group's bills payable.

## 22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Non-current assets | | |
| Advance payments to customers (i) | **876,511** | 262,461 |
| Prepayment for acquisition of property, plant and equipment and right-of-use assets | **42,582** | 48,712 |
| Module costs | **6,930** | 18,179 |
| Loans to a third party | **2,100** | – |
| Receivable from transfer of shares in investment fund | **–** | 16,833 |
| Others | **7,843** | 5,039 |
| | **935,966** | 351,224 |
| Current assets | | |
| Prepayments to suppliers | **100,163** | 19,455 |
| VAT recoverable | **81,490** | 50,819 |
| Insurance receivable | **61,439** | 78,686 |
| Individual income tax receivable for RSUs withheld and remitted | **37,461** | – |
| Module costs | **16,469** | 19,734 |
| Receivable from transfer of shares in investment fund | **16,352** | 16,833 |
| Deposits | **11,354** | 4,415 |
| Loans to third parties | **8,955** | 16,832 |
| Prepayments for advertising expense | **790** | 63,618 |
| Receivable from a related party (see note 39) | **–** | 11,175 |
| Others | **68,957** | 48,245 |
| | **403,430** | 329,812 |
| | **1,339,396** | 681,036 |

(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. Advance payments to customers are amortized ratably as reduction of revenue over the measurement periods, usually three years.

## 23 DEFERRED INCOME TAX

| | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| **Deferred income tax assets:** | | |
| – to be recovered after more than 12 months | **11,628** | 5,290 |
| – to be recovered within 12 months | **76,816** | 40,757 |
| | **88,444** | 46,047 |
| **Deferred income tax liabilities:** | | |
| – to be recovered within 12 months | **(39,122)** | (26,181) |

### (a) Deferred income tax asset

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

| | Tax losses RMB'000 | Share based compensation RMB'000 | Government grants RMB'000 | Sales rebate RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 31 December 2019 | – | – | – | 10,132 | 2,787 | 12,919 |
| Credit to profit or loss | – | – | – | 30,625 | 2,503 | 33,128 |
| At 31 December 2020 | – | – | – | 40,757 | 5,290 | 46,047 |
| Credit to profit or loss | **39,433** | **7,385** | **6,161** | **(10,759)** | **177** | **42,397** |
| As at 31 December 2021 | **39,433** | **7,385** | **6,161** | **29,998** | **5,467** | **88,444** |

### (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 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 31 December 2019 | – | – | – |
| Debit to profit or loss (Note 11) | 26,181 | – | 26,181 |
| At 31 December 2020 | 26,181 | – | 26,181 |
| Debit to profit or loss (Note 11) | **10,291** | **2,650** | **12,941** |
| At 31 December 2021 | **36,472** | **2,650** | **39,122** |

## 23 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 | 31/12/2021 RMB'000 | 31/12/2020 RMB'000 |
|---|---|---|
| 2022 | **113** | 14,358 |
| 2023 | **8,485** | 18,272 |
| 2024 | **19,670** | 37,640 |
| 2025 | **186** | 16,549 |
| 2026 and after | **26,967** | – |
| | **55,421** | 86,819 |

## 24 OTHER LONG-TERM ASSET

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

The amortisation provided for the year ended 31 December 2021 was RMB73,223,000 (2020: RMB66,028,000).

## 25 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | As at 31 December | |
|---|---|---|
| | 2021 RMB'000 | 2020 RMB'000 |
| Bills receivable | **87,756** | 349,180 |

As at 31 December 2021, 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 RMB164,240,000 (2020: RMB98,289,000). 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.

## 26 PLEDGED BANK DEPOSITS

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Deposits pledged with banks for bills payable | **2,993,010** | 4,108,483 |

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

## 27 TERM DEPOSITS WITH INITIAL TERM OVER 3 MONTHS

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **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.

## 28 CASH AND CASH EQUIVALENTS

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Cash and cash equivalents | **6,073,112** | 3,420,934 |

Cash and cash equivalents carry interest at market rates of 0.30% to 2.709% (2020: 0.30% to 1.562%) per annum.

## 29 DEFERRED INCOME

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Government grants | **42,853** | – |

Deferred income represents government grants relating to assets and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Amortisation of RMB2,160,000 (2020: nil) has been charged in other income and gains – net in Note 6.

## 30 OTHER NON-CURRENT LIABILITIES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Government financing | **398,410** | 97,671 |

Other non-current liabilities represent two interest-free loans of RMB328,410,000 and RMB70,000,000 due in July 2025 and June 2026, respectively, from local government for the Group's construction of new production facilities. For the year ended 31 December 2021, the Group recognized a gain of RMB9,110,000 (2020: RMB1,222,000) for these interest-free loans in other income and the discounting impact of RMB9,110,000 (2020: RMB1,222,000) as finance cost.

## 31 TRADE AND BILLS PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Trade payables | **4,021,238** | 3,134,351 |
| Bills payable | **8,736,918** | 7,651,679 |
| | **12,758,156** | 10,786,030 |

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 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Within 3 months | **3,996,106** | 3,111,822 |
| 3 to 6 months | **19,677** | 15,337 |
| 6 to 12 months | **1,412** | 1,101 |
| 12 to 24 months | **1,104** | 860 |
| Over 24 months | **2,939** | 5,231 |
| | **4,021,238** | 3,134,351 |

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 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Deposits from suppliers and distributors | **308,701** | 235,275 |
| Accrued expenses | **331,398** | 202,941 |
| Staff payroll and welfare payables | **315,204** | 164,803 |
| Sales rebate | **141,039** | 163,050 |
| Other tax payable | **89,982** | 62,976 |
| Payables for purchase of property, plant and equipment | **89,316** | 26,119 |
| Tax element of contract liabilities | **17,449** | 47,338 |
| Others | **57,205** | 17,766 |
| | **1,350,294** | 920,268 |

## 33 CONTRACT LIABILITIES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Advance from distributors for sales of electric vehicles | **134,222** | 364,139 |

### (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 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| *Revenue recognised that was included in the contract liability balance at the beginning of the period* | | |
| Sales of electric vehicles | **304,099** | 147,266 |

### (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 31 December 2020 and 2021 | **2,995,000,000** | **30** |
| **Equivalent to RMB'000** | | |
| As at 31 December 2020 and 2021 | | **187** |

### (b) Treasury shares

For the years ended 31 December 2021 and 2020:

| | Number of shares | | RMB'000 | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| **Treasury shares** | | | | |
| At beginning of year | **148,588,539** | 97,006,539 | **286,907** | 116,742 |
| Share repurchase for share award scheme | **3,168,000** | 51,582,000 | **33,688** | 170,165 |
| Vested and transferred to employees | **(22,194,000)** | – | **(25,412)** | – |
| At end of the year | **129,562,539** | 148,588,539 | **295,183** | 286,907 |

### (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 2020 and 2021, the Group repurchased 51,582,000 shares and 3,168,000 shares with consideration of RMB170,165,000 and RMB33,688,000, respectively, from the secondary market. These shares repurchased were/will be 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 2021:

| | Number of Awards | | Weighted Average Grant Date Fair Value Per RSU |
|---|---|---|---|
| | **2021** | 2020 | 2020 RMB |
| RSUs outstanding, beginning of the year | **75,200,000** | – | – |
| Granted (i) | **–** | 75,200,000 | 1.13 |
| Vested | **(22,194,000)** | – | – |
| Forfeited | **(1,066,000)** | – | – |
| RSUs outstanding, end of the year | **51,940,000** | 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% have been vested on the first anniversary after the announcement of annual results date on 29 March 2021, 30% shall be vested 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 RSU 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.

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

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| RSUs granted | **21,116** | 49,483 |

## 35 DIVIDENDS

| | For the year ended | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Final dividends for the year ended 31 December 2020 of 19 HK cents (2019 – final dividend 10 HK cents) per fully paid share | **453,513** | 266,092 |

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of 28.0 HK cents (2020: 19.0 HK cents) per ordinary share, in an aggregate amount of HKD802,322,000 equivalent to RMB653,668,000 (2020: HKD569,030,000 equivalent to RMB478,912,000), 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 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| Profit before tax | | **1,506,985** | 1,186,777 |
| Adjustments for: | | | |
| Bank interest income | 6 | **(81,150)** | (20,211) |
| Loss on disposal of property, plant and equipment and intangible assets, net | 6 | **21,523** | 11,077 |
| Depreciation of property, plant and equipment | 7 | **163,269** | 108,162 |
| Depreciation of right-of-use assets | 7 | **47,317** | 26,400 |
| Amortisation of other long-term asset | 24 | **73,223** | 66,028 |
| Gain on disposal of one subsidiary | 6 | **1,055** | - |
| Amortisation of intangible assets | 7 | **28,005** | 19,627 |
| Share results of associates | 17 | **15,028** | 2,373 |
| Share based compensation | 8 | **21,116** | 49,483 |
| Other income and gains | 6 | **11,950** | 3,328 |
| Net fair value gains on financial assets at FVTPL | 6 | **(232,651)** | (186,285) |
| Operating cash flows before movement in working capital | | **1,575,670** | 1,266,759 |
| Increase in inventories | | **(513,967)** | (41,311) |
| Increase in trade receivables | | **(15,461)** | (195,272) |
| Increase in prepayments, deposits and other receivables | | **(569,931)** | (139,955) |
| Decrease/(increase) in debt instruments at FVTOCI | | **261,424** | (181,862) |
| Decrease/(increase) in pledged bank deposits | | **1,115,473** | (2,864,216) |
| Increase in trade and bills payables | | **1,972,126** | 3,927,599 |
| Increase in other payables and accruals | | **366,898** | 405,195 |
| (Decrease)/increase in contract liabilities | | **(229,917)** | 216,873 |
| Cash generated from operations | | **3,962,315** | 2,393,810 |

## 36 CASH FLOW INFORMATION (Continued)

### (b) Reconciliation of liabilities generated from financing activities

| | Lease liabilities | Other non-current liabilities | Total |
|---|---|---|---|
| Net debt as at 1 January 2020 | (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) |
| Cash flows | **40,860** | **(300,739)** | **(259,879)** |
| Foreign exchange adjustments | **262** | **–** | **262** |
| Termination-lease | **805** | **–** | **805** |
| Acquisition-lease | **(86,806)** | **–** | **(86,806)** |
| Interest expenses | **(6,174)** | **–** | **(6,174)** |
| Net debt as at 31 December 2021 | **(127,561)** | **(398,410)** | **(525,971)** |

## 37 CONTINGENT LIABILITIES

As at 31 December 2021 and 31 December 2020, the Group had no significant contingent liabilities.

## 38 COMMITMENTS

### (a) Capital Commitments

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated statement of financial position | **678,122** | 612,736 |

### (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 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **866** | 3,614 |
| Later than 1 year and no later than 5 years | **138** | 465 |
| | **1,004** | 4,079 |

## 39 RELATED PARTY TRANSACTIONS

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 |

### (a) Transactions with Related Parties

(i) Purchases of products

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Okawa MOTOR | **21,122** | 6,010 |

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

(ii) Sales of products:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Okawa MOTOR | – | 8,693 |

The sales were made on terms agreed between the parties.

(iii) Sales of equipment:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Okawa MOTOR | **487** | 1,196 |

(iv) Service received:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Okawa MOTOR | – | 3,774 |

## 39 RELATED PARTY TRANSACTIONS (Continued)

### (b) Due to Related Parties

(i) Trade payables

| | 31/12/2021<br>RMB'000 | 31/12/2020<br>RMB'000 |
|---|---|---|
| Okawa MOTOR | **14,054** | 2,429 |

(ii) Other Payables

| | 31/12/2021<br>RMB'000 | 31/12/2020<br>RMB'000 |
|---|---|---|
| Ningbo Suogao | **120** | 120 |

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

### (c) Due from Related Parties

(i) Other Receivables

| | 31/12/2021<br>RMB'000 | 31/12/2020<br>RMB'000 |
|---|---|---|
| Okawa MOTOR | **–** | 11,175 |

### (d) Compensation of Key Management Personnel of the Group

| | 31/12/2021<br>RMB'000 | 31/12/2020<br>RMB'000 |
|---|---|---|
| Salaries | **10,591** | 9,984 |
| Pension scheme contributions and social welfare | **363** | 258 |
| Share-based compensation expenses | **4,788** | 10,454 |
| | **15,742** | 20,696 |

## 40 EVENTS AFTER THE REPORTING PERIOD

On 17 December 2021, Yadea Technology Group Co., Ltd., a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Jieshoushi Nandu Huayu Power Co., Ltd., Zhejiang Nandu Power Co., Ltd. (collectively, "Target Companies") and the shareholders of the Target Companies to acquire 70% equity interests in each of the Target Companies at a total cash consideration of RMB311,500,000. The transaction was consummated in January 2022.

On 20 January 2022, 41,520,000 RSUs were granted to certain employees under the Company's share award schemes. The fair value of the RSUs at the grant date was HKD6.64 per share (equivalent to approximately RMB5.41 per share), which was determined by reference to the market price of the ordinary shares of the Company and exercise price of the RSUs of HK$6 per share.

## 41 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

| | **31/12/2021<br>RMB'000** | 31/12/2020<br>RMB'000 |
|---|---|---|
| **Non-current Assets** | | |
| Investments in subsidiaries | **231,586** | 219,681 |
| Equity instrument at FVTOCI | **17,120** | 17,519 |
| Prepayments, deposits and other receivables | **–** | 16,833 |
| | **248,706** | 254,033 |
| **Current Assets** | | |
| Amount due from a subsidiary | **18,023** | 9,020 |
| Prepayments, deposits and other receivables | **86,318** | 143,260 |
| Wealth management products and structured deposits | **113,530** | 109,360 |
| Cash and cash equivalents | **156,122** | 126,347 |
| | **373,993** | 387,987 |
| **Total Assets** | **622,699** | 642,020 |
| **Current Liabilities** | | |
| Amount due to a subsidiary | **–** | – |
| Other payables and accruals | **3,753** | 2,971 |
| **Total Liabilities** | **3,753** | 2,971 |
| **Net Assets** | **618,946** | 639,049 |
| **Equity** | | |
| Share capital | **187** | 187 |
| Share premium and reserves | **618,759** | 638,862 |
| **Total Equity** | **618,946** | 639,049 |

## 41 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 2020 | 645,536 | 38,687 | 3,426 | 52,029 | (70,110) | 669,568 |
| Total comprehensive (loss)/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 34) | – | 49,483 | – | – | – | 49,483 |
| At 31 December 2020 | 379,444 | 88,170 | 4,663 | 20,804 | 145,781 | 638,862 |
| Total comprehensive (loss)/income for the year, net of income tax | **–** | **–** | **–** | **(6,503)** | **426,063** | **419,560** |
| Dividends provided for or paid (Note 35) | **(397,626)** | **–** | **–** | **–** | **(55,887)** | **(453,513)** |
| Employee share schemes – value of employee services (Note 34) | **–** | **21,116** | **–** | **–** | **–** | **21,116** |
| Restricted share units vested | **18,182** | **(25,448)** | **–** | **–** | **–** | **(7,266)** |
| At 31 December 2021 | **–** | **83,838** | **4,663** | **14,301** | **515,957** | **618,759** |