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

2022 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

BOARD COMMITTEES

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

JOINT COMPANY SECRETARIES

Mr. Shen Yu
Mr. Leung Chi Kit, ACG, HKACG (appointed on 17 June 2022)
Ms. Wong Sau Ping (resigned on 17 June 2022)

AUTHORISED REPRESENTATIVES

Ms. Qian Jinghong
Mr. Leung Chi Kit (appointed on 17 June 2022)
Ms. Wong Sau Ping (resigned on 17 June 2022)

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISOR

As to Hong Kong Law:
Herbert Smith Freehills
23/F, Gloucester Tower
15 Queen's Road, Central
Hong Kong

PRINCIPAL BANKERS

China CITIC Bank Corporation Limited,
Wuxi Wu'ai Sub-branch
No. 112 Renmin West Road, Liangxi District
Wuxi City, Jiangsu Province
China

Industrial and Commercial Bank of China Limited,
Fogang Sub-branch
Industrial and Commercial Bank of China
No. 106 National Road (Tangtang Section)
Tangtang Town
Fogang County
Qingyuan City, Guangdong 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, 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, batteries and related accessories. Over the course of 20 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 2022, the Group had 58 models of electric scooters and 88 models of electric bicycles for customers to choose from.

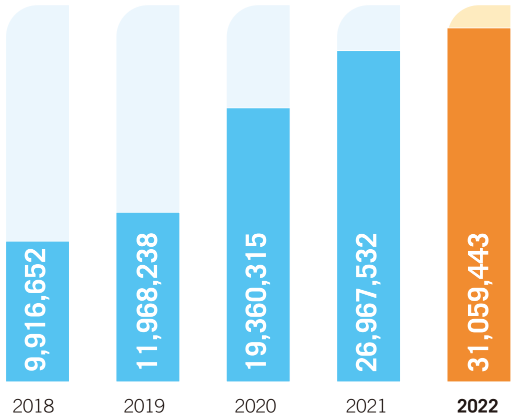
The Group has seven self-operated production facilities located in Wuxi, Tianjin, Cixi, Qingyuan, Anhui, Chongqing and Vietnam, respectively. As of 31 December 2022, the Group had annual electric two-wheeled vehicle production capacity of approximately 20 million units, supported by more than 11,000 employees. It also has a strong research and development team based in Wuxi with approximately 980 professionals with various product design and research and development background for electric two-wheeled vehicles.

The Group's domestic distribution network covered almost every administrative region of the PRC and consisted of 4,041 distributors as well as their sub-distributors with over 32,000 points of sales as at 31 December 2022. The Group also has export sales to over 80 countries through its international distribution network.

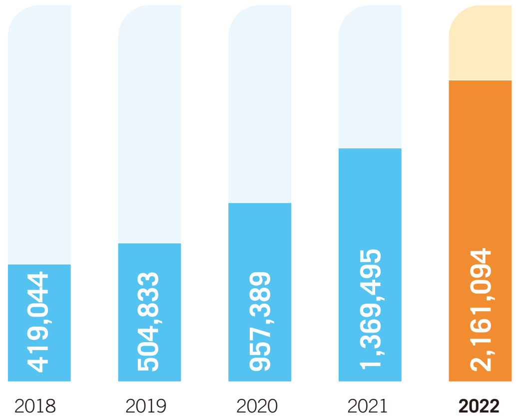
The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 May 2016 under the stock code of 1585.

FINANCIAL HIGHLIGHTS

REVENUE
RMB'000

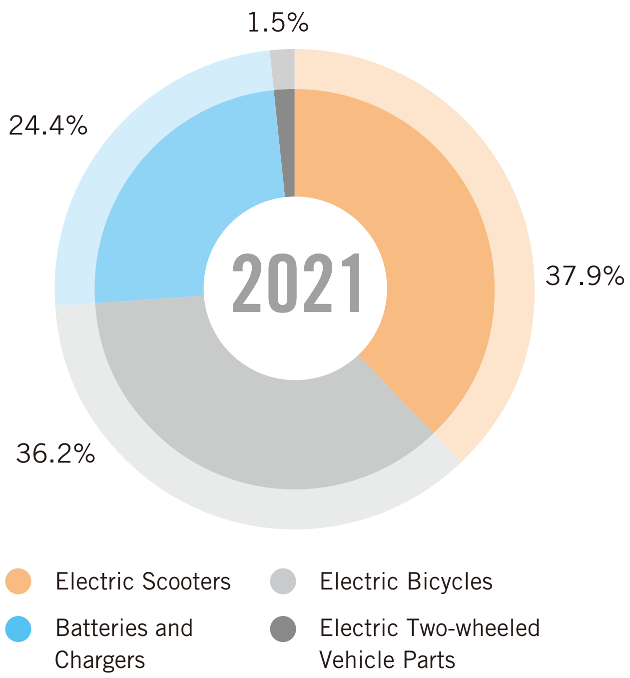


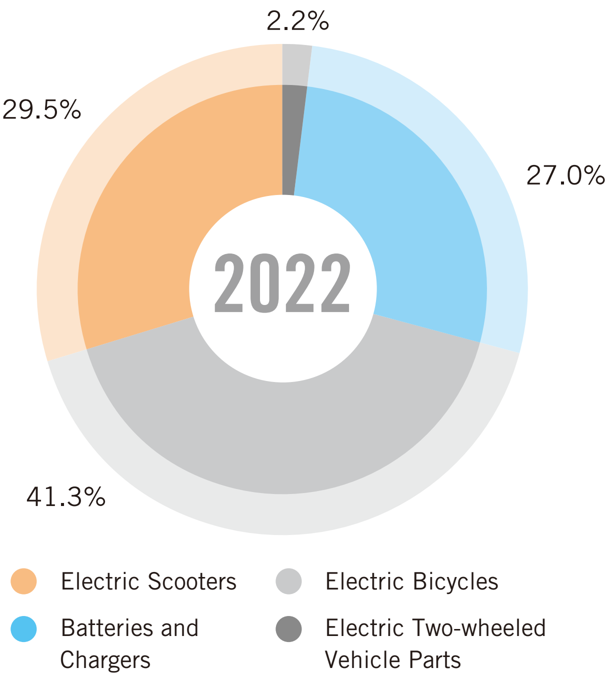
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
RMB'000



Consolidated revenue increased 15.2% year-on-year to RMB31,059.4 million

REVENUE GENERATED BY PRODUCT TYPE





FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2022 **RMB'000**	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**31,059,443**	26,967,532	19,360,315	11,968,238	9,916,652
Cost of sales	**(25,445,432)**	(22,866,048)	(16,287,085)	(9,890,101)	(8,297,067)
Gross profit	**5,614,011**	4,101,484	3,073,230	2,078,137	1,619,585
Profit before tax	**2,615,267**	1,506,985	1,186,777	600,216	464,995
Income tax expense	**(432,267)**	(140,342)	(227,488)	(91,524)	(44,669)
Profit for the year attributable to					
– Owners of the Company	**2,161,094**	1,369,495	957,389	504,833	419,044
– Non-controlling interests	**21,906**	(2,852)	1,900	3,859	1,281

CONSOLIDATED ASSETS AND LIABILITIES

	Year ended 31 December				
	2022 **RMB'000**	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	**24,952,686**	19,407,793	16,016,355	10,707,260	7,768,672
Total liabilities	**18,310,092**	14,895,394	12,413,512	7,639,718	5,013,724
Total equity	**6,642,594**	4,512,399	3,602,843	3,067,482	2,754,948

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 2022.

Looking back at 2022, Yadea has continuously led the industry to grow in adversity, achieved its annual business targets and delivered a series of new historical results by maintaining its strategic strength, focusing on its main business and strengthening its internal capacity.

BUSINESS REVIEW

Yadea delivered record sales, revenue and profit in 2022, reinforcing its leading position in the electric two-wheeled vehicles market in the PRC. The Group's revenue grew by approximately 15.2% from RMB26,967.5 million in 2021 to RMB31,059.4 million in 2022 and the Group's gross profit increased by approximately 36.9% from RMB4,101.5 million in 2021 to RMB5,614.0 million in 2022, which was primarily driven by the higher average selling prices of electric scooters and electric bicycles as a result of the improvement of product mix and increased sales volume of batteries and chargers. The Group introduced 15 new models of electric scooters and 34 new models of electric bicycles with enhanced exterior designs, smart features and advanced performance characteristics. As a result, the average selling price of electric scooters increased from RMB1,662 in 2021 to RMB1,816 in 2022 and that of electric bicycles increased from RMB1,265 in 2021 to RMB1,429 in 2022. The total sales volume of electric scooters and electric bicycles increased from 13,863,000 units in 2021 to 14,010,000 units in 2022. While this represents a modest increase, it is still a positive indicator of the Group's ability to generate strong revenue and profit growth through product innovation and improvement of product mix, and maintain its leading market position.

Throughout the year, the Group continued to make efforts in promoting "Yadea" brand, by becoming an Official Asia-Pacific FIFA World Cup 2022™ Regional Supporter, becoming a BMX Freestyle Park Contests Naming Partner at Festival International de Sports Extremes (FISE) Xperience Series 2022, and showcasing the electric two-wheeled vehicles of the Company in the EICMA Motor Expo. Furthermore, the Group continued to deepen its market penetration in the PRC through further broadening its distribution network. As at 31 December 2022, the Group has 4,041 distributors (2021: 3,353) as well as their sub-distributors with over 32,000 points of sales (2021: over 28,000 points of sales) in the PRC, covering almost every administrative region of the PRC. Additionally, Yadea has established a strong international presence, with distribution channels in over 80 countries across Europe, South East Asia, South America, and Central America, further strengthening its positions as a global leader in developing and manufacturing two-wheeled electric vehicles.

As the Group is committed to being at the forefront of innovation of the electric two-wheeled vehicles industry, it continued to invest in research and development to develop new products and new technologies for core parts and components. In 2022, the Group launched Guanneng (冠能) 3.0 series, a new generation of long-range, intelligent electric two-wheeled vehicles and features a breakthrough long-lasting third-generation TTFAR graphene battery that is capable of more than 1,000 cycles with 30% greater capacity than conventional lead-acid batteries and low-temperature protection. The Group has also developed an e-controller, which offers significant improvement in anti-interference capabilities, three-phase circuit balance and overload capacity as compared with conventional controller. With regards to style, it has commissioned renowned design houses such as Yang Design and Giovannoni Design. As of 31 December 2022, the Group owned 1,890 patents including appearance patents, utility model patents and invention patents, as compared to 1,350 in 2021. The Group's ongoing investment in research and development enables it to stay ahead of industry trends and technological developments, ensuring that it achieves more technology breakthroughs in the future.

To reinforce its position as a leader in the electric two-wheeled vehicles market in the PRC, the management recognises the importance of batteries in electric two-wheeled vehicle manufacturing and performance. That is why the Group has taken the significant steps to expand its production capacity by fully acquiring Jieshoushi Nandu Huayu Power Co., Ltd.* (界首市南都華宇電源有限公司) (now known as Huayu New Energy Technology Co., Ltd.* (華宇新能源科技有限公司)) and Zhejiang Changxing Nandu Power Co., Ltd.* (浙江長興南都電源有限公司) (collectively, "**Huayu**") in 2022. Huayu specialises in the production and sales of electronic plates and batteries for electric two-wheeled vehicles and has already been supplying graphene batteries for the production of the Guanneng (冠能) series of electric two-wheeled vehicles, a key product category of the Group. Batteries are one of the most crucial components of electric two-wheeled vehicles, playing a significant role in ensuring the stable supply, achieving product differentiation and expanding market opportunities for the Group. The management believes this acquisition will not only solidify the Group's leading position in the electric two-wheeled vehicles market the PRC, but also enhance its ability to expand overseas and maintain a competitive edge in the industry.

OUTLOOK

As the leading electric two-wheeled vehicle company in the PRC, "Yadea" brand has maintained a strong presence in the domestic market for more than 20 years. Moving forward, the Group remains committed to customer-centricity, innovation and continuous improvement of its core competencies. The Group will prioritize enhancing product quality, optimising distribution channels, and fortifying supply chain capabilities. As the global market for electric mobility continues to expand at a rapid pace, the Group will strive to capitalise on this opportunity to increase its product penetration worldwide and expand its global footprint.

I would like to take this opportunity to sincerely thank Yadea's 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
27 March 2023

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB31,059.4 million in 2022, representing an increase of approximately 15.2% from RMB26,967.5 million in 2021, primarily due to the increase in the average selling prices of electric scooters and electric bicycles as a result of the improvement of product mix and the increase in the sales volume of batteries and chargers. The average selling prices of the electric scooters increased from RMB1,662 in 2021 to RMB1,816 in 2022, and that of the electric bicycles increased from RMB1,265 in 2021 to RMB1,429 in 2022.

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

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Revenue RMB'000	% of total	Volume '000 units	Revenue RMB'000	% of total	Volume '000 units
Product Type						
Electric bicycles	12,827,456	41.3	8,976.0	9,767,681	36.2	7,721.3
Electric scooters	9,145,187	29.5	5,034.2	10,208,564	37.9	6,141.5
Subtotal	21,972,643	70.8	14,010.2	19,976,245	74.1	13,862.8
Batteries and chargers	8,397,775	27.0	Batteries: 14,989.9 Chargers: 11,181.4	6,583,763	24.4	Batteries: 13,279.7 Chargers: 9,504.6
Electric two-wheeled vehicle parts	689,025	2.2	–	407,524	1.5	N/A
Total	31,059,443	100.0	40,181.5	26,967,532	100.0	36,647.1

Sales volume of electric scooters decreased by approximately 18.0% from approximately 6,142,000 units in 2021 to approximately 5,034,000 units in 2022; and the sales volume of electric bicycles increased by approximately 16.3% from approximately 7,721,000 units in 2021 to approximately 8,976,000 units in 2022, primarily attributable to the change of customer preference and significant improvement of design, feature and performance of electric bicycles.

Segment information

For management purposes, the Group is organised into two operating segments from a product perspective after the acquisition of Huayu. The electric two-wheeled vehicles and related accessories segment is mainly engaged in the development, manufacture and sales of electric two-wheeled vehicles and related accessories and the batteries segment is mainly engaged in the production and sales of batteries of the newly acquired Huayu.

The segment information for the reportable segments for the years ended 31 December 2022 and 2021 is as follows:

	Year ended 31 December 2022				Year ended 31 December 2021			
	Electric two-wheeled vehicles and related accessories RMB'000	Batteries RMB'000	Elimination RMB'000	Total RMB'000	Electric two-wheeled vehicles and related accessories RMB'000	Batteries RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenue	30,409,109	3,870,034	(3,219,700)	31,059,443	26,967,532	–	–	26,967,532
Total segment cost	(24,846,101)	(3,543,598)	2,944,267	(25,445,432)	(22,866,048)	–	–	(22,866,048)
Gross profit	5,563,008	326,436	(275,433)	5,614,011	4,101,484	–	–	4,101,484

Cost of sales

Cost of sales of the Group increased by approximately 11.3% from RMB22,866.0 million in 2021 to RMB25,445.4 million in 2022, which was 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 36.9% from RMB4,101.5 million in 2021 to RMB5,614.0 million in 2022. The gross profit margin increased by approximately 2.9% from approximately 15.2% in 2021 to approximately 18.1% in 2022, primarily attributable to the increase in the average selling prices of electric scooters and electric bicycles as a result of the improvement of product mix.

Other income and gains, net

Other income and gains of the Group increased by approximately 19.3% from RMB380.3 million in 2021 to RMB453.7 million in 2022, primarily attributable to the increase in bank interest income, and government grants received, which was partially offset by the decrease in net fair value gains on financial assets at fair value through profit or loss ("**FVTPL**").

Selling and distribution expenses

Selling and distribution expenses increased by approximately 5.9% from RMB1,282.9 million in 2021 to RMB1,358.2 million in 2022, primarily attributable to the increase in employee benefits expenses, advertising expenses and travelling and transportation expenses.

Administrative expenses

Administrative expenses of the Group increased by approximately 9.6% from RMB817.9 million in 2021 to RMB896.1 million in 2022, primarily attributable to the increase in employee benefits expenses.

Research and development costs

Research and development costs increased by approximately 31.1% from RMB843.7 million in 2021 to RMB1,105.8 million in 2022, primarily attributable to expenses recorded from the research and development centre of the newly acquired Huayu, the increase in employee benefits expenses and development projects relating to new products and new technologies for batteries and chargers.

Finance costs

Finance costs of the Group consist of interest charge for borrowings, interest charges for lease liabilities and other interest expenses. Finance costs increased by approximately 288.6% from RMB15.3 million in 2021 to RMB59.4 million in 2022, primarily attributable to the increase in interest expenses for borrowings and other interest expenses for government financing from local government for the Group's construction of new production facilities.

Income tax expense

Income tax expense increased by approximately 208.0% from RMB140.3 million in 2021 to RMB432.3 million in 2022, primarily attributable to the increase in income tax expense as a result of the increase in profit before income tax.

Profit for the year

As a result of the cumulative effect of the foregoing, profit of the Group increased by approximately 59.7% from RMB1,366.6 million in 2021 to RMB2,183.0 million in 2022.

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow

As of 31 December 2022, cash and cash equivalents amounted to approximately RMB6,782.6 million, representing an increase of approximately 11.7% from approximately RMB6,073.1 million as of 31 December 2021.

Net cash inflow generated from operating activities was approximately RMB3,078.4 million in 2022, as compared with net cash inflow generated from operating activities of approximately RMB3,693.0 million in 2021. Net cash outflow used in investing activities was approximately RMB2,056.0 million in 2022, as compared with net cash outflow used in investing activities of approximately RMB824.3 million in 2021. Net cash outflow used in financing activities was approximately RMB379.4 million in 2022, as compared with net cash outflow used in financing activities of approximately RMB207.4 million in 2021.

The Group's primary source of funding comes from cash flows generated from its operating activities. As at 31 December 2022, the Group recorded borrowings of approximately RMB1,281.7 million with fixed interests at a range of 1.0% to 2.82%, that are secured by the Group's pledged bills and to be settled within one year.

Taking into account the Group's existing cash and cash equivalents, anticipated cash flow from its operating activities and the net proceeds from the Placing (defined below), it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Net current liabilities

As at 31 December 2022, the Group had net current liabilities of RMB125.4 million, as compared with net current assets of RMB686.6 million as at 31 December 2021, primarily attributable to the increase in trade and bills payables, other payable and accruals, borrowing and contract liabilities, which was partially offset by the increase in cash and cash equivalents, financial assets at fair value through profit or loss, pledged bank deposits (excluding pledged bank deposits of RMB800.0 million which have been classified as non-current assets), inventories and prepayments, deposits and other receivables.

Inventories

The Group's inventories consist of raw materials, work in progress and finished goods. The Group's inventories increased by approximately 22.1% from RMB1,194.2 million as at 31 December 2021 to RMB1,458.0 million as at 31 December 2022, primarily attributable to the increase in work in progress batteries manufactured by the newly acquired Huayu. The average inventory turnover days in 2022 increased to 18.8 days from 14.8 days in 2021, primarily due to the relatively long production cycle of batteries.

Trade receivables

Trade receivables decreased by approximately 1.1% from RMB392.6 million as at 31 December 2021 to RMB388.3 million as at 31 December 2022, primarily attributable to the decrease in the sales to corporate customers.

Financial assets at FVTPL

The financial assets at FVTPL held by the Group mainly consist of wealth management products and structured deposits with relatively low level of risk purchased from the commercial banks in the PRC. As at 31 December 2022, 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 increased by approximately 8.7% from RMB3,870.3 million as at 31 December 2021 to RMB4,208.5 million as at 31 December 2022, which was primarily attributable to the purchase of the wealth management products and structured deposits upon the end of the term of investments. For the year ended 31 December 2022, the Company recorded a gain in fair value of the financial assets at FVTPL of approximately RMB78.0 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 6.5% from RMB12,758.2 million as at 31 December 2021 to RMB13,592.9 million as at 31 December 2022, primarily attributable to the increase in bills payables owing to the suppliers as a result of the increase in purchases of raw materials.

Gearing Ratio

Gearing ratio is calculated by other non-current liability and borrowings divided by total equity. As at 31 December 2022, the gearing ratio of the Group is 26.8% (31 December 2021: 8.8%). The increase in gearing ratio is mainly attributable to the borrowings recorded by the Group as a result of the consolidation of accounts of Huayu.

Currency risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain sales to international market 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 2022, the Group had 11,825 employees, as compared with 9,174 employees as at 31 December 2021, mainly due to the acquisition of Huayu and new hirings for production, sales, and research and development departments. Total staff costs, including labour outsourcing cost but excluding the Directors' remunerations, were RMB2,315.3 million in 2022, representing an increase of approximately 36.1% from RMB1,701.1 million in 2021, such increase was primarily due to the increase in number of employees and increase in average salary. 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 2022, 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 2022, the pledged assets of the Group amounted to RMB5,438.0 million (2021: RMB4,450.8 million).

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

On 17 December 2021, Yadea Technology Group Co., Ltd.* (雅迪科技集團有限公司) ("**Yadea Technology**"), a wholly-owned subsidiary of the Company, as the purchaser, Zhejiang Narada Power Source Co., Ltd.* (浙江南都電源動力股份有限公司) ("**Zhejiang Narada Power**") 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 "**2021 Acquisition Agreement**") in relation to the acquisition of 70% equity interest in Huayu (the "**2021 Acquisition**") for a total consideration of RMB311.5 million. The 2021 Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). On 4 January 2022, all conditions precedent stipulated in the 2021 Acquisition Agreement were satisfied and the 2021 Acquisition was completed. For details of the 2021 Acquisition and the 2021 Acquisition Agreement, please refer to the announcements of the Company dated 17 December 2021 and 10 March 2022.

* For identification purposes only

On 19 August 2022, Yadea Technology, as the purchaser, and Zhejiang Narada Power, as the vendor, entered into an agreement (the "**2022 Acquisition Agreement**") in relation to the acquisition of the remaining 30% equity interest in Huayu (the "**2022 Acquisition**") for a consideration of RMB133.5 million. Since the vendor, is a connected person of the Company at the subsidiary level, the 2022 Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules but it does not constitute a disclosable transaction under Chapter 14 of the Listing Rules. On the same date, all conditions precedent stipulated in the 2022 Acquisition Agreement were satisfied and the 2022 Acquisition was completed. For details of the 2022 Acquisition and the 2022 Acquisition Agreement, please refer to the announcement of the Company dated 19 August 2022.

Save as disclosed above, there were no other significant investment, 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 2022.

EVENTS AFTER THE REPORTING PERIOD

On 17 January 2023, 33,550,000 share options of the Company were awarded to certain employees pursuant to the terms of the share option scheme of the Company adopted by the shareholders of the Company (the "**Shareholders**") on 22 April 2016. For details of the share option scheme of the Company, please refer to the section headed "Share Option Scheme" from page 111 to page 112 in this annual report.

Save as disclosed above, the Group has no other material subsequent events since the end of the year ended 31 December 2022 (the "**Reporting Period**") up to the date of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

The Group is pleased to present its 6th Environmental, Social and Governance ("**ESG**") Report (the "**Report**"). The purpose of the Report is to provide an overview of the Group's ESG efforts and performance in 2022, and to respond to the material issues concerned by key stakeholders.

1.1 Reporting Boundary

The Report covers the ESG-related management and performance of the Company and its subsidiaries (covering six electric vehicle and related accessories production bases in Jiangsu, Zhejiang, Tianjin, Guangdong, Anhui and Chongqing, and one battery production base in Zhejiang, being the Group's principal operating location) from 1 January 2022 to 31 December 2022. In order to enhance the integrity of the Report, the time spans of part of the content trace forward or extend beyond (as appropriate) the Reporting Period. During 2022, Huayu was acquired by the Group and became an indirect wholly-owned subsidiary. In addition, the new plant in Chongqing production base was officially put into operation. Therefore, Huayu and Chongqing production base were officially included in the boundary of the Report in 2022.

1.2 Basis of Preparation

The Report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (the "**ESG Reporting Guide**") set out in Appendix 27 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* issued by the Stock Exchange and with reference to the Task Force on Climate-related Financial Disclosures ("**TCFD**") Recommendations ("**TCFD Recommendations**") issued by the TCFD and the *Sustainability Reporting Standards* of the Global Reporting Initiative ("***GRI Standards***"). The Report has complied with the "Mandatory Disclosure Requirements" and "Comply or Explain" provisions set out in the ESG Reporting Guide. The content index of the ESG Reporting Guide and the *GRI Standards* is set out in the Appendix to the Report.

The following reporting principles have been applied in the preparation of the Report:

- "Materiality": The Group identifies key stakeholders and determines the material ESG issues through stakeholder engagement and materiality assessment as the key disclosure content of the Report, so as to focus on the ESG issues that stakeholders are most concerned about.

- "Quantitative": The Report discloses key performance indicators on environmental and social aspects in quantitative terms as far as possible, and explains the standards, methods and reference sources of relevant data statistics and calculations.

- "Balance": The Report follows the balance principle to present the Group's ESG performance and management status in an objective way.

- "Consistency": Unless otherwise stated, the data statistics and calculation methods used in the Report are consistent with the 2021 ESG Report, so as to make meaningful comparisons with data of the previous year.

1.3 Statement of Report

The information contained herein is sourced from official documents and statistical reports of the Group. The Board is responsible for the authenticity and effectiveness of the information contained in the Report and ensures that there is no false record or misleading description in the content. The Report has been reviewed and approved by the Board in March 2023.

In order to have a comprehensive understanding of the Group's ESG performance, the Report should be read in conjunction with the section headed *Corporate Governance Report* in the 2022 Annual Report of Yadea Group Holdings Ltd.

1.4 Publication Form

The Report is published in traditional Chinese and English. If there is any discrepancy between the two versions, the traditional Chinese version shall prevail. The Report can be viewed and downloaded from the Stock Exchange's website and Yadea's official website (www.yadea.com.cn).

1.5 Feedback

Thank you for reading the Report. The Group attaches great importance to the opinions and feedback of various stakeholders, and on this basis, continuously enhances the Group's ESG management and performance and improves the disclosure level of the Report.

If you have any comment and feedback, you are welcome to contact the Group through the following methods:

Email: brand@yadea.com.cn
Address: No. 515 Xishan Avenue, Xishan District, Wuxi, Jiangsu Province, China

2. ESG HIGHLIGHTS

2.1 2022 Performance Highlights

As a responsible corporate citizen, Yadea has been committed to continuously improving ESG management and performance over the years. During the Reporting Period, the Group actively responded to domestic and overseas industry trends, acted to the rising expectations of the market, investors and consumers for the Group's sustainable development performance, rationally allocated resources, implemented a series of measures to strengthen its capability in ESG governance, focused on improving the governance of sustainable development, and accelerated the industry to enter a new stage of sustainable development.

2.2 ESG Awards and Recognitions

During the Reporting Period, the Group won a number of international ESG awards and recognitions, which fully demonstrated the Group's achievements in ESG and its leading position in the field.

"2022 TOP 10 GREEN BRANDS WITH OUTSTANDING CONTRIBUTION TO CARBON NEUTRALITY"

"2022 Brand Influence·Model Enterprise of Carbon Neutrality"

The 2022 (9th) Brand Influence Development Forum and Results Release Event was successfully held in Xiamen, Fujian. As a leading enterprise in the two-wheeled electric vehicle industry, Yadea was invited to attend and became the only demonstration leading enterprise in the industry enlisted in the "Brand Power and Independent Brand Selection Project". Meanwhile, Yadea was also awarded the "2022 Brand Influence·Model Enterprise of Carbon Neutrality" and the "2022 Top 10 Green Brands with Outstanding Contribution to Carbon Neutrality", and won all the awards in the "Carbon Neutrality" category at the conference. It was also the only representative enterprise in the industry that won such awards among enterprises attending the conference, further highlighting Yadea's outstanding contribution and absolute leading position in the field of "Carbon Neutrality".

Yadea won the "2022 Brand Influence·Model Enterprise of Carbon Neutrality" Award

Yadea won the "2022 Top 10 Green Brands with Outstanding Contribution to Carbon Neutrality"

Social Responsibility Award for People's Corporate "Green Development Award"

In December 2022, Yadea won the "Green Development Award" of the 17th Social Responsibility Award for People's Corporate guided by People's Daily and organised by People.cn. The Social Responsibility Award for People's Corporate is the earliest and most influential corporate social responsibility award in China's Internet industry, and is regarded as an essential benchmark for measuring the performance of social responsibility by enterprises in China.

3. SUSTAINABILITY MANAGEMENT

UNSDG involved in this section:

3.1 ESG Governance

The Group was committed to integrating ESG concepts into corporate governance, incorporating ESG goals and ESG risk management into the overall strategic development of the Group, and also continuously optimised the governance mechanism for sustainable development, thus laying a foundation for the continuous improvement of the Group's governance of sustainable development.

The Board was the highest body responsible for Yadea's sustainable development issues, which comprehensively supervised the Group's ESG governance issues. The Board established ESG Committee, responsible for managing and making decisions related to the ESG of the Group. Without prejudice to any provisions of the Corporate Governance Code, the ESG Committee, in conjunction with external ESG trends, guides, reviews, and adjusts the development of the Group's ESG management policies and strategies to ensure that they are up-to-date and practical. The ESG Committee leads and participates in the identification, assessment, determination and review of the Group's ESG issues, as well as the identification and assessment of ESG risks related to the Group, and provides suggestions to relevant departments on risk response to ensure the implementation and improvement of appropriate and effective ESG risk management and internal monitoring systems. At the same time, the ESG Committee is responsible for monitoring the development and implementation of the Group's ESG goals, including (1) setting the Group's ESG management performance goals; (2) reviewing the progress of achieving the goals, and providing recommendations on the actions required to achieve the goals; and (3) evaluating and reviewing the reflection and consistency of the Group's ESG goals and plans in specific business strategies and plans. In addition, the ESG Committee is also responsible for reviewing the Group's annual Environmental, Social and Governance Report and other ESG related disclosure information, making timely recommendations to the Board, and developing a reporting and whistleblowing system and reward and punishment measures for ESG related risks in the Group. Under the leadership of the Board, the Group strictly adheres to the laws, regulations, and management regulations applicable to the location of its business operations in the decision-making process of major ESG related matters. At the same time, in accordance with international and domestic laws, regulations, industry standards, and best practices, relevant internal articles of association, policies, and procedures are formulated to continuously improve the level of ESG governance and compliance.

In order to further improve the sustainable development management level of the Group, an ESG Working Group was set up under the ESG Committee, which is responsible for implementing the specific work of ESG management under the guidance of the ESG Committee. The ESG Working Group is composed of one representative from each of the first level organizational departments of the Group, and its specific responsibilities include:

- Develop specific ESG work plans and execute them in accordance with the ESG management policies, strategies, and objectives of the Group;
- Regularly collect and analyse ESG performance data, and submit it to the ESG Committee for review, so that they can understand the progress of achieving the ESG management performance goals of the Group;
- Continuously monitor ESG related risk events and promptly report to the ESG Committee for relevant countermeasures;
- Cooperate with internal audit department to conduct investigation and handling of ESG related cases;
- Assist in preparing the annual ESG report of the Group and submit it to the ESG Committee and the Board for review and approval;
- Submit other materials necessary for the ESG Committee and the Board to make ESG decisions.

3.2 ESG Risk Management

In order to further improve the Group's ESG governance, during the Reporting Period, the Group comprehensively evaluated and identified major ESG-related risks, providing an important reference for corresponding improvement of ESG management in the future. The whole process of the Group's ESG risk identification and assessment during the Reporting Period is as follows:

Analysis the big trend and determine a list of potential ESG risks

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Assess potential risks in the list based on the actual business operation

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Analyse the assessment results and prioritise ESG risks to identify material ESG risks

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Review and approve the evaluation results by the Board and management

↓

Improve corresponding management measures for relevant risks and make simultaneous disclosures

The Group's ESG risks were classified into five levels from "very low" to "very high", among which, a total of 4 ESG risks were at "high" level, 10 ESG risks were at "medium" level and 1 ESG risk was at "low" level. ESG risks at "high" level and relevant corresponding management measures are as follows:

ESG Risks	Risk Description	Management Measures
Supply Chain Management	The unstable supply chain will affect the production and operation of enterprises and even cause business interruptions. The COVID-19 pandemic (the "**pandemic**") brings about negative impacts on the flow of goods, information and capital, which are crucial to the close connection between enterprises. However, the adverse effect is nearly unrecoverable in the short term. Consequently, the resilience and safety of the supply chain is very important.	• Formulate unified standards and procedures to regulate the procurement and supplier management of each production base, and enable strict supervision on these aspects; • Regularly visit and inspect suppliers, and investigate and understand the situation and collect samples; • Manage the suppliers in a systematic way, effectively monitor suppliers' data in relation to authorization, bidding process, execution of procurement agreements and comment records; • Encourage suppliers to obtain certifications of environmental protection, quality management and occupational health and safety management system.

ESG Risks	Risk Description	Management Measures
New Technologies or Inventions	New technologies, including but not limited to, digitalization, automation, new materials or any other innovations in the value chain of electric two-wheeled vehicles, may lead to reduced demand for certain existing traditional products and services.	• Set up a "cross-departmental team" to enable "Integrated Product Development ("**IPD**") training, research and reform, and establish a "Strategy + IPD + Incentive" project; • Formulate an assessment mechanism for project management and provide special bonus to encourage technology development; • Offer monetary reward for patents, commercialization of filed achievements and award-winning projects; • Raise the awareness of patent protection by communicating with the Science and Technology Bureau and judicial protection agencies, holding training sessions for intellectual property protection and advocating cases of intellectual property protection.
Corporate Reputation	The success of an enterprise depends on the strength of its brand name. If it is unable to maintain and enhance its own brand name, its operation and business will be affected.	• Formulate various internal policies on environmental, social and governance aspects, strictly abide by various laws and regulations, avoid violations of laws and regulations and avoid damage to the corporate reputation; • Anti-corruption: advocate knowledge of anti-corruption, strengthen training on anti-corruption, improve employees' awareness of anti-corruption and improve the internal reporting mechanism; • Product quality: develop a variety of internal inspection standards and strictly review promotional materials in accordance with the *Application of Advertising System* • Health and safety: develop the *Measures for the Administration of Work Safety* and other systems to improve the management of work safety; • Consumer rights and interests: formulated the *Customer Complaint Management Measures* to strengthen the management of distributors and to ensure that they have sound sales and customer service capabilities; • Environmental protection: pass all regular inspections by local environmental protection authorities to ensure that the emission of pollutants meet the discharge standards.

ESG Risks	Risk Description	Management Measures
Natural Resource Crisis	The production and operation of an enterprise directly or indirectly rely on the development and utilisation of natural resources. The global natural resource crisis caused by excessive exploitation and improper disposal of minerals, water and other natural resources by human beings may lead to an increase in corporate costs or even business interruptions.	• Develop the third generation TTFAR graphene battery, which improves product performance and quality compared to ordinary lead-acid batteries, prolongs service life, and thereby reduces the full life cycle lead usage and carbon emissions of electric two wheeled vehicles; • Adopt water-saving equipment, diagnose abnormal water consumption problems, promote water recycling and promote water-saving campaigns; • Regularly inspect power distribution stations, evaluate the electricity consumption of new equipment and use air conditioners in a reasonable way; • Replace traditional forklifts in workshops with electric forklifts every year to encourage green travel; • Continue to promote and consider the introduction of new energy, such as photovoltaic power.

3.3 ESG Target Management

In order to further clarify the focus of ESG work in the future, taking each production base as a pilot site, the Group set up a number of ESG goals at the environmental level and formulated specific action plans during the Reporting Period. For details, please refer to the table below:

Target Areas	Specific Objectives	Action Plan
Reduction of Air Pollutant Emissions	Improve exhaust treatment and recycling technology and equipment	• Facilitate technological upgrading, adopt more advanced production techniques and processes in spray painting and other procedures, and reduce volatile organic compounds ("**VOC**") emissions; • Regularly inspect and maintain equipment to avoid excessive exhaust gas emissions caused by equipment failure or low operating efficiency; • Continue to improve the performance of electric bikes and focus on the research and development of products with lower energy consumption and longer range and battery life in response to the "dual-carbon" goal.
	Accelerate energy transformation and reduce the proportion of heavily polluting energy	• Optimise the mix of energy used in the production and manufacturing processes and further increase the proportion of clean fuels, such as natural gas; • Increase the proportion of photovoltaic power consumption.

Target Areas	Specific Objectives	Action Plan
Reduction of Greenhouse Gas ("GHG") Emissions	Reduce direct (Scope 1) GHG emissions	• Record the fuel consumption of business vehicles, conduct regular maintenance of business vehicles, eventually replace business vehicles with vehicles with lower/zero emissions and reasonably control the frequency of use of business vehicles; • Optimise the energy mix of production bases and adopt more clean and low-carbon fuels; • Increase natural lighting and enhance ventilation in workshops.
	Reduce indirect (Scope 2) GHG emissions	• Track the operation of electrical equipment and repair equipment with abnormal power consumption timely; • Access the latest information of energy-saving equipment and replace original equipment with them when appropriate.
	Reduce indirect (Scope 3) GHG emissions	• Enhance the flexibility of working mode and promote the concept of paperless office; • Encourage employees to take public transportation for commuting; • Replace certain flight-related business trips with online remote meetings; • Optimise the transportation mode of products and arrange more centralised transportation to reduce carbon emissions in transportation.
Promotion of Carbon Offsetting Measures	Improve the greening rate of factories	• Carry out tree planting activities to encourage the participation of employees; • Provide funding for afforestation through charity activities.

Target Areas	Specific Objectives	Action Plan
Improvement of Energy Efficiency	Reduce energy consumption	• Improve the management system of water and electricity usage and the management system of air-conditioners usage, adopt a series of energy-saving measures: install lighting equipment with appropriate power with reference to the requirements of individual zones, gradually use energy-saving lamps, strengthen the inspection of lighting at night and turn off unnecessary lighting; • Enhance education for energy-saving, strengthen employees' awareness of electricity conservation and encourage employees to turn off idle computers, air-conditioners, lamps and other electrical equipment; • Measure energy consumption and enable online monitoring with smart water metres and smart electricity metres.
Increase of Usage of Renewable Energy	Increase the percentage of renewable energy in total electricity consumption to 50%	• Promote photovoltaic power generation projects further, increase the proportion of self-generated electricity from renewable energy and reduce the demand for purchased electricity.

Target Areas	Specific Objectives	Action Plan
Reduction of Waste Discharge	Reduce non-hazardous waste (domestic waste, kitchen waste, construction waste, etc.)	• Explore the usage of more reusable, renewable and recyclable alternative raw materials to reduce waste disposal in landfills at source.
	Proper disposal of hazardous waste (solvents, waste thinner, paint residue, waste activated carbon, sludge, etc.)	• Improve the hazardous waste treatment process arising from procedures, like electrophoresis and paint spraying, to reduce the generation of hazardous waste as much as possible; • Put up identification labels and warning signs for hazardous wastes, and transport them to specialised storage points by category and conduct regular inspection and maintenance to prevent leakage; • Strengthen the cooperation with qualified waste collectors to ensure the proper disposal of hazardous waste and record the disposal amount.
	Develop circular economy and increase waste recycling rate and reuse rate	• Provide waste separation recycling bins to promote waste recycling and reduce the waste sent to landfills.
Improvement of Water Efficiency	Save water and control total water consumption	• Adopt a series of water-saving measures: constantly inspect water pipes and facilities, timely deal with leakage in water pipes and taps and gradually install water-saving equipment like flushing toilets with sensors; • Classify education of water-saving as regular training; • Identify departments with large water consumption, conduct water consumption assessments for these departments and install water metres with reference to the situation of individual department when necessary; • Use of online intelligent monitoring platforms for water, electricity and gas consumption.
	Reduce wastewater discharge and increase wastewater recycling rate	• Introduce reuse technologies for reclaimed water, set up water recycling systems and recycle condensed water from air conditioners in the factory area to reduce the use of fresh water and the discharge of wastewater; • Improve the treatment process and techniques for industrial wastewater arising from procedures like electrophoresis and spray painting; • Use more water-based paint coatings to replace solvent-based paint coatings to reduce the discharge of hazardous wastewater.

In the future, the Board will regularly review the progress of achieving the objectives and make disclosures.

3.4 Stakeholder Engagement

Adequate communication with stakeholders was an important basis for achieving sustainable development. The Group attached great importance to the concerns and interests of all stakeholders, and maintained efficient and close communication with all parties through various channels on a daily basis. The Group reviewed the stakeholders involved in various aspects of business operations and the potential impacts on them, identified key stakeholder groups and understood the expectations of stakeholders through extensive and efficient communication channels, so as to respond to them accordingly.

Stakeholder Group	Communication Modes	Expectations and Demands	Follow-up Actions
Government and Regulatory Authorities	• Policies and guidelines • Inspections, appraisals and supervision • Regular communications and information disclosures	• Regulatory compliance • Tax payment according to laws • Stable operation • Employment opportunities	• Strictly abide by laws and regulations of China and implement compliance works • Promote employment and local economic development • Actively cooperate with regulatory authorities • Pay tax according to laws
Shareholders and Investors	• General meetings and other shareholder meetings • Company announcements and circulars • Annual/interim financial reports • Roadshows • Company websites	• Reasonable and continuous investment returns • Cost control • High quality corporate governance • Public information disclosures	• Abide by laws and regulations and operate in a stable manner • Continuously optimise risk management and internal control systems • Strengthen information disclosures and conduct regular communications
Customers	• Contractual agreements • Customer service hotlines, Weibo, app • Company websites • Annual meetings for customers	• Product quality • After-sales service quality • Timely provision of information on new products • Responsible marketing • Product design and innovation	• Facilitate scientific research and innovation and develop diversified products • Develop technologies for product IoT • Improve customer service experience • Provide “Safe Flight Insurance” service • Conduct customer satisfaction survey • Strengthen quality control on products

Stakeholder Group	Communication Modes	Expectations and Demands	Follow-up Actions
Employees	• Labour contracts • Staff meetings • Training sessions, workshops, seminars and conferences • Employee mailbox • Internal publications • WeChat official account platforms	• Employment and recruitment • Staff Development and training • Occupational health and safety • Prevention of forced labour and child labour • Talent attraction and retention • Diversity, equality and inclusion	• Improve the human resources management system to protect employees' rights and interests • Continuously improve the working environment of employees • Develop training programmes and optimise training workshops • Enrich employee activities • Provide attractive remuneration packages and promotion systems
Suppliers and Business Partners	• Contractual agreements • On-site researches and evaluation meetings • Regular reviews and assessments • Daily communication meetings • Business exchange and cooperation	• Long-term stable and win-win cooperation • Fair competition and honest operation • Distributor partnership • Compliance with laws and regulations • Information security	• Enable segregated management of suppliers and implement supplier rating systems • Enhance strategic cooperation with suppliers • Ensure fair and transparent tendering and procurement processes • Perform contracts and agreements • Establish a comprehensive coordination mechanism
Community	• Caring for the underprivileged • Community welfare activities and environmental protection activities • Interactive communication via social media platforms	• Participation in community construction and improvement of community environment • Actively participation in community welfare activities • Concern for community development in business operations • Social welfare	• Enable volunteer service activities • Organise charity donation activities • Encourage distributors to participate in community construction

Stakeholder Group	Communication Modes	Expectations and Demands	Follow-up Actions
Public and Media	• Media coverage • Online media communications • Announcements and reports • Official company websites	• Information transparency • Timely disclosures of information • Social welfare	• Comply with relevant laws and regulations • Disclose public information and reports timely • Regulate marketing activities
Environmental Groups	• Environmental protection activities and promotion campaigns • Information disclosures via ESG Reports • Cooperation and communication with environmental authorities and local communities on environmental issues	• Energy management • Water resource management • Climate change and carbon emissions • Air pollution emissions and management • Promotion of recycling • Waste disposal • Promotion of green travel	• Reduce pollutant and GHG emissions • Recycle and reuse resources • Promote green community welfare cycling activities • Promote green office and paperless office • Strictly regulate the disposal of hazardous and dangerous wastes

In particular, in response to the economic demands, the Board was committed to achieving the organic unity of long-term interests of Shareholders, social benefits and environmental benefits by taking into account the needs and interests of all parties. During the Reporting Period, the Group continued to adopt a series of measures, such as focusing on promoting the general reform in the three major areas, namely research and development ("**R&D**"), marketing and supply chain to reduce costs and improve efficiency, in accordance with the continuously updated regulatory requirements after taking into account its own business development trends and feedback from Shareholders. Given the automation reform of production techniques, the Group improved the production efficiency and the consistency of product quality, effectively promoted reasonable cost reduction and efficiency enhancement and also created long-term win-win value for Shareholders and consumers on the basis of reasonable control of production and operating costs.

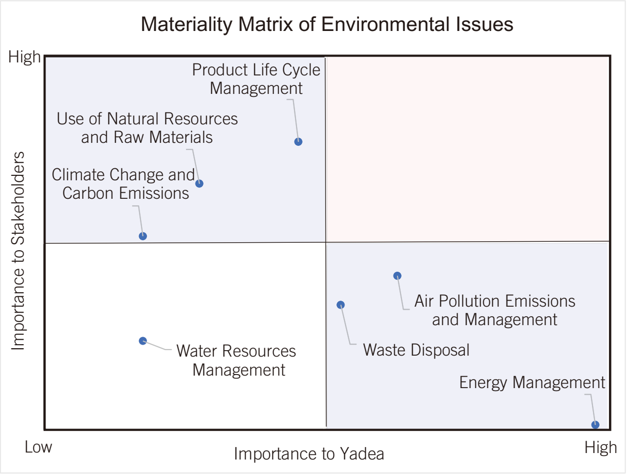
3.5 Materiality Assessment

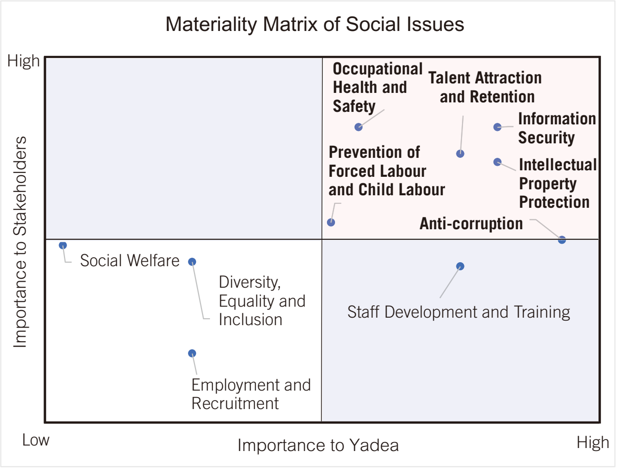
In order to identify the most important ESG issues for the Group, the Group regularly conducted materiality assessments and continuously improved the working mechanism and methods of materiality assessments. During the Reporting Period, the Group invited internal and external stakeholders to participate in an online questionnaire survey and engaged external professional consultants to conduct a materiality assessment to collect opinions from all stakeholders. On this basis, the Group identified and prioritised material ESG issues relevant to the Group, so as to further clarify the focus of the Group's ESG work in the future.

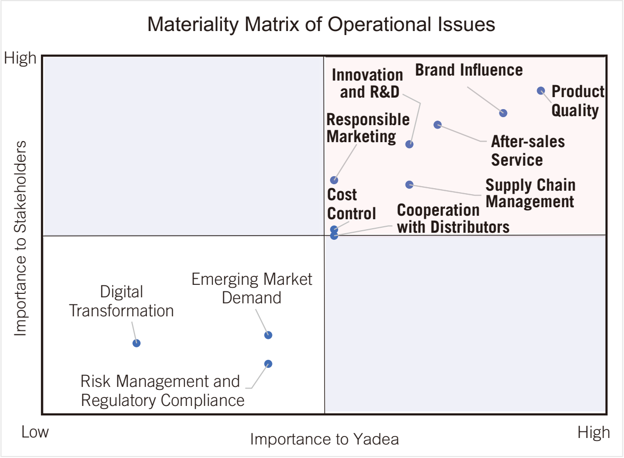
For the entire process of the questionnaire survey and the materiality assessment, please refer to the table below:

Issue Identification	● With reference to the *ESG Reporting Guide*, the Group analysed the development trends of China and overseas countries and the industry, and combined with the actual situation of the Group's business and management, thus identifying a total of 28 ESG issues related to the Group's business ● There were 7 environmental issues, 10 social issues and 11 operational issues
Data Collection	● Internal and external stakeholders were invited to rank the importance of 28 ESG issues through an online questionnaire survey, and a total of 208 effective responses were collected ● Internal stakeholders included those in the management/decision-making level; external stakeholders included our Shareholders and investors, employees, customers, suppliers and distributors, governmental supervisory and regulatory authorities, the public and community, media, industry associations
Prioritisation	● Based on the results of the questionnaire survey, a materiality matrix was constructed to prioritise each issue from two dimensions, namely "Importance to Yadea" and "Importance to stakeholders" ● Issues with scores of half or more of the total scores in both dimensions were identified as "Very Important", issues with scores of half or more of the total scores in only one dimension were identified as "More Important", and other issues were identified as "Relatively Insignificant"
Approval and Confirmation	● The Board reviewed the results of the materiality assessment and finally confirmed the relevant ESG issues as material issues for the year

The materiality matrix of environmental, social and operational issues is as follows:







In this materiality assessment, the Group identified a total of 14 "Very Important" issues, including 6 social issues and 8 operational issues. The materiality levels and rankings of various ESG issues are shown in the table below:

Materiality Level	ESG Issues (in descending order of importance)		
	Environmental	**Social**	**Operational**
"Very Important"	/	1. Information security 2. Intellectual property protection 3. Talent attraction and retention 4. Anti-corruption 5. Occupational health and safety 6. Prevention of forced labour and child labour	1. Product quality 2. Brand influence 3. After-sales services 4. Innovation and R&D 5. Supply chain management 6. Responsible marketing 7. Cost control 8. Cooperation with distributors
"Fairly Important"	1. Product life cycle management 2. Air pollutant emissions and management 3. Energy management 4. Use of natural resources and raw materials 5. Waste disposal 6. Climate change and carbon emissions	7. Staff development and training	/
"Relatively Insignificant"	7. Water resources management	8. Diversity, equality and inclusion 9. Social welfare 10. Employment and recruitment	9. Emerging market demand 10. Risk management and regulatory compliance 11. Digital transformation

Each section of the Report will focus on disclosing the Group's management strategies and performance related to the above material issues, so as to respond more specifically to the sustainability issues that stakeholders are most concerned about.

4. HONEST QUALITY

UNSDGs involved in this section:

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

4.1 Innovation-driven Development

The Group always regarded technological innovation as its core competitiveness, and was strictly subject to the *Several Opinions on Strict Patent Protection* issued by the State Intellectual Property Office. At the same time, the Group also formulated and implemented internal policies such as the *Patent Management Measures*, the *Patent Reward Management Measures*, the *Trademark Management Measures*, the *Application for Government Project Reward Measures*, and the *Project Management Evaluation Measures* to effectively protect the Group's intellectual property rights and stimulate the innovation enthusiasm of all employees.

Through a series of practices, the Group actively carried out IPD training, research and reform, established the "Strategy + IPD + Incentive" project, and further promoted technological innovation and protection of intellectual property rights. On one hand, the Group took the lead to establish an organisational and management system for high-value patent training, improve the comprehensiveness and accuracy of search and analysis of high-value patents, arrange domestic and international deployments for patents related to essential technologies of performance indicators of electric vehicles, encourage patent applications and accelerate the commercialisation of patent achievements within the Group through rewards. On the other hand, the Group set up a working group for intellectual property rights protection and a cross-departmental team to integrate internal and external resources, protect achievements of independent innovation and fight against infringements. In addition, the Group enhanced the awareness of patent protection of all employees by enabling regular communications with the Science and Technology Bureau and judicial protection agencies, organising training sessions and workshops on practice of intellectual property protection and promoting cases of intellectual property protection.

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

During the Reporting Period, In order to effectively strengthen the protection of intellectual property rights, the Group initiated a new model of government-enterprise cooperation and the "Guardian Office for Intellectual Property Protection in the Electric Vehicle Industry" led and established by the Public Security Bureau of Wuxi was officially established at the Group's headquarters. The official opening of this intellectual property liaison office was not only a recognition of Yadea's technical strength and efforts in intellectual property protection, but also had a positive impact on the setting of environment for intellectual property patents in Wuxi and even the entire Jiangsu Province, thus stimulating the innovative development of high-tech enterprises.

The Guardian Office for Intellectual Property Protection in the Electric Vehicle Industry was established at Yadea's headquarters.

The relevant data of the Group's R&D and patent applications[1] as at the end of the Reporting Period is as follow:

	Unit	2022	2021
Research and development expenses	RMB million	**1,105.85**	843.69
Number of patent applications (total)	pieces	**385**	640
Number of patents held during the year	pieces	**1,890**	1,350
Appearance patents held during the year	pieces	**1,248**	991
Utility model patents held during the year	pieces	**533**	330
Invention patents held during the year	pieces	**109**	29

To date, the Group has made fruitful achievements in technological innovation, and some of the achievements are as follows:

- *TTFAR CARBON FIBRE 2.0 LITHIUM BATTERY:*
  The battery adopts square-shaped and layered battery cells, tight PACK techniques and nano carbon fibre materials, which is technically of higher density, faster and higher electric conductivity, ultra-low dielectric resistance, and inherent three-dimensional structure. That is, it is able to achieve a 100% increase in capacity, break through the battery capacity bottleneck, redefine the new standard of the industry and further give full play to the advantages of lithium batteries.

- *GRAPHENE 3RD GENERATION PLUS BATTERY:*
  The battery is designed with ultra-large electrode plates, which increases the effective area for the reaction of active substances and increases the battery capacity by approximately 30% compared to ordinary lead-acid batteries of the same size. The material structure comprises organic and inorganic high molecular compounds with high-elasticity fibre separators, which enable the expansion, contraction and self-adaption of battery clusters. The charge and discharge cycle can be of more than 1,000 times, with a life cycle of 3 times of ordinary lead-acid batteries, thereby effectively extending the life cycle of batteries.

[1] During the Reporting Period, the relevant patent data included the additional data of Huayu.

Yadea's TTFAR carbon fibre lithium battery was certified as the national standard maximum capacity lithium battery for electric two-wheeled vehicles

Yadea's graphene battery was certified as the first of its kind in the industry

Yadea was selected as one of the "Top 100 Innovative Private Enterprises in Jiangsu"

- *TTFAR 2000W MOTOR:*
  By optimising the magnetic design, the power density is increased and the output torque is also increased to approximately 140N.m, with a maximum climbing angle of 14 degrees. At the same time, a single-line group structure is adopted to improve the copper fill factor, thus expanding a highly efficient platform. The maximum efficiency of motors reaches 92% and the mileage range is further extended with more efficient operation.

- *YADEA GALLIUM NITRIDE CHARGER:*
  Advanced gallium nitride materials, which are smaller in size and more convenient, are used. With intelligent communication technology, batteries are protected from overcharging by chargers, thus effectively extending the life of batteries.

- *YADEA INTELLIGENT ELECTRIC-CONTROLLED CORE:*
  The new TTFAR + SPORT dual-ride mode is added. Energy is recycled to double the mileage range. The energy generated by sliding, down-sloping and braking is converted to electric energy for storage in batteries so as to enable charging and riding at the same time, representing the best solution for increasing power and mileage.

- *INTELLIGENT PRODUCTS AND SERVICE FOR USER:*
  We provide users with intelligent interactive functions, such as Yadea U-SMART system, "Xiaodi" voice assistant, voiceprint unlocking, smart screen navigation, etc.

By virtue of its outstanding technological innovation and R&D capabilities, Yadea won a number of awards during the Reporting Period, including but not limited to the "Global Leadership Award for the Electric Two-wheeled Vehicle Market" by Frost & Sullivan in 2022, the "Model Enterprise in the Electric Vehicle Industry" by the Brand Strengthen A Nation, the "2022 Top Ten Electric Motorcycle Models Award" by CCIC West Cup, the Bronze Award of the United States Outstanding Industrial Design Award (IDEA), the Silver Award of the Innovation and Design Award by the Canton Fair, the "Excellence Award of China Appearance Design" and the "National Intellectual Property Advantage Enterprise" by the China National Intellectual Property Administration, and was selected as one of the "Top 500 Private Enterprises in China", "Top 100 Innovative Private Enterprises in Jiangsu" and "Top 100 Private Manufacturing Enterprises in Jiangsu" in 2022.

During the Reporting Period, the Group was not aware of any infringement of intellectual property rights of third parties or any infringement of the Group's intellectual property rights by any third party, nor was there any intellectual property dispute which had a material adverse effect on the Group's business.

Case Sharing – Yadea Guanneng 2nd generation with a mileage range of over 200 km

The Group maintained its leading position in the industry by continuing to report breakthroughs in product innovation and technology. During the Reporting Period, the Group successfully completed the public verification of the ultra mileage range of over 200 km of the Yadea Guanneng 2nd generation E8S. On 12 April 2022, under the authoritative witness of the China National Light Electric Vehicle and Battery Product Inspection and Testing Centre, the full supervision of the Notary Office of Jiangnan, Wuxi, Jiangsu Province, the full participation of many authoritative media and the online viewing of over a million users in the network, a "Guanneng Exploration Team" consisting of riders and experienced journalists was formed to drive the Yadea Guanneng 2nd generation E8S electric vehicles, which successfully achieved the challenge of driving mileage of over 200 km with only one charge during the round trip between the headquarters of Wuxi Yadea and the Longtouzhu Nature Park in Jiangsu Province with an actual mileage of 210 km. Despite the complicated road conditions, such as the uphill, downhill, gravel and winding sections, the Yadea Guanneng 2nd generation E8S electric vehicle experienced no difficulty and perfectly demonstrated the quality of "Born to Run" and "Double Warranty" and once again set a new driving record to create the highest quality standard for the industry. Given the outstanding performance shown in the challenge, Yadea fully demonstrated its leading technological strength in the industry and led the high-quality development of the industry with higher quality standards.

Yadea Guanneng 2nd generation E8S successfully passed the verification of ultra mileage range of over 200 km

Case Sharing – Global New Product Launch Conference of Yadea Guanneng 3 Ultra Long Range

In July 2022, the Global New Product Launch Conference of Yadea Guanneng 3 Ultra Long Range was successfully held in China and Spain simultaneously, at which new models of Yadea Guanneng 3 S9, E9 and Q7, equipped with the world's leading TTFAR 3.0 range extension system, were launched and 7 highly sophisticated technologies, 2 innovations of the industry and new upgrades of 4 integral systems were brought to the public. In particular, Guanneng 3 S9 MAX, a new car, was equipped with Yadea's world-leading TTFAR 3.0 range extension system which covered 4 brand new and evolving electric units, namely TTFAR motor, TTFAR intelligent electric-controlled core, TTFAR gallium nitride charger and TTFAR carbon fibre 2.0 lithium battery. It was a combination of Yadea's cutting-edge core technology and achieved a breakthrough of 200 km of the first electric bike under the new China national standard in the industry. In addition, the model was also equipped with the newly launched YADEA OS smart hub and the AI Speech voice alarm, which provide users with a more intelligent human-vehicle interaction experience through the AI smart voice assistant.

The new Guanneng 3 S9 MAX was equipped with YADEA OS smart hub and TTFAR 3.0 range extension system

Given the general upgrade of intelligence, aesthetics, technology and quality, the brand new and upgraded Yadea Guanneng 3 created high-quality vehicles highly appraised by users and allowed users to enjoy the new life of travelling with technologies.

4.2 Building a Brand through Quality

Product and service quality were the cornerstone of corporate development. To this end, the Group adhered to the business philosophy of "providing products that bring happiness to consumers" and aimed at "better design, higher technology, better quality, more refined manufacturing, better service and more exports". The Group was committed to improving the quality of products and services and empowering the brand with high quality.

The Group formulated a series of internal quality management systems and standards in strict compliance with laws, regulations and management standards, namely the *Product Quality Law of the People's Republic of China*, the *Safety Technical Specification for Electric Bicycle* (GB 17761-2018), the *Safety Requirements for Electric Motorcycle and Electric Light Motorcycle* (GB 24155-2020), the *Implementation Rules for Compulsory Certification of Products – Electric Bicycle* (CQC-C1116-2021), the *Implementation Rules for Compulsory Certification of Products – Quality Assurance Requirements for Factories* (CNCA-00C-005: 2014) and the inspection standards of the European Parliament and Council on the approval and market regulation of two or three-wheeled vehicles and four-wheeled vehicles (EU No 168/2013). In 2022, the Group's quality management centre developed the policy for rebuilding Yadea's quality system, and set up more challenging annual quality indicators through strategic goals, such as quality planning, quality control, quality assurance, quality cost, quality improvement and quality system re-construction.

In the production process, each production base of the Group strictly carried out inspection procedures, such as initial inspection, inspection, self-inspection, cross-inspection and completion inspection. The craftsmen or inspection personnel would conduct regular spot checks on key positions, and timely feedback and research on problematic vehicles to enable efficient resolution of quality issues. The Group followed relevant internal policies and formulated different handling methods with reference to different scenarios of unqualified products.

Unqualified Products	Handling Methods	Internal Policies
Identified within the Group	1. Reprocessing and repairing 2. Re-inspection would be conducted after repairing, and only qualified products would be recognised as inventory 3. Products unable to meet quality requirements would be scrapped	*Control Procedures for Unqualified Products*
Identified in the market	1. Products would be strictly inspected and recalled according to regulations 2. Products would be inspected by the quality department; data would be studied and analysed jointly with suppliers, and test reports would be issued and rectification plans would also be formulated 3. After the rectification, the after-sales department would track and verify the market 4. Effective procedures for rectification would be standardised and included development projects and inspection procedures in the future	*Control Procedures for Market Quality Information* *Management Measures for Unqualified Products* *Management Measures for Market Recall*

The inspection standards implemented and observed by the Group also included the *Inspection Control Procedures*, the *Control Procedures for Market Quality*, the *Management Measures for Vehicle Out of the Box Assessment*, the *Management Measures for the Vehicle Out of the Warehouse Inspection*, the *Management Measures for Internal Quality Information*, the *Control Procedures for Process Quality* and etc.

In order to continuously improve the product quality, the Group's Quality Management Centre and subsidiaries set up an improvement team led by the Group's senior vice president as the team leader, the director of the Group's Quality Management Centre and the director of the Power and Energy Centre of the Research Institute as the deputy team leaders. The improvement team established over 100 improvement projects for the short, medium and long term, especially for key topics like waterproof, burnt-proof and anti-corrosion. The deputy team leaders would visit our subsidiaries every month to conduct on-site verifications and to deliver guidance on the improvement projects. In 2022, all production bases of the Group actively initiated improvement efforts on product quality. In June 2022, the Group's production base in Chongqing noticed that colour contamination was found in the colour separation area of model T1. Members of the special group for paint spraying immediately conducted on-site training sessions for colour separation personnel to clarify the requirements and operation methods for colour separation, and also had spot checks at the initial, middle and final stages to comprehensively investigate the case of colour contamination. 27 items with unsatisfactory conditions were all re-manufactured so as to strictly prevent unqualified products from entering the market.

In addition, with the continuous expansion of the Group in the domestic and overseas markets, users' demand for purchasing vehicles became diversified at different levels, which imposed stricter requirements on the standardisation and normalisation of production process. To this end, the Group's Manufacturing Resources Centre took the lead in launching the process standardisation project, and integrated the human and technical resources of the Group's subsidiaries to form a project team. The team standardised and sorted out the production process of different models of electric vehicles, and visited the production lines of each production plant to film the demonstration video clippings of standardised operation for staff. Through the process of "recording, screening, reviewing and preparing", a set of high-quality teaching materials was finally completed and distributed to frontline staff for learning.

During the Reporting Period, the China Quality Certification Centre conducted a quality management system re-certification audit for the Group and seven production bases in Wuxi, Zhejiang, Tianjin and Guangdong. After the audit, it was confirmed that the GB/Y 19001-2016/ISO 9001:2015 certificates of the Group and the seven production bases remained valid.

4.3 Responsibility-driven Marketing

The Group was strictly subject to the *Advertising Law of the People's Republic of China* and other relevant laws and regulations and carried out marketing activities in compliance with laws and regulations. Prior to the start of marketing activities, the Group's Management Office strictly reviewed the promotional materials in accordance with the *Application of Advertising System* to ensure that the content was fair, accurate, honest and fair while false, exaggerated and unfair competition was strictly avoided.

On this basis, in order to help build the brand influence of Yadea, the Group gathered all sorts of ideas to actively initiate creative marketing activities whenever permitted by laws and regulations. The Group took advantage of the Spring Festival Gala, a popular TV show, to enable cross-sector cooperation to start a new fashionable trend, cooperated with China High-speed Railway to arrange a first-ever specific branded train and sponsored popular films and television dramas, for the purpose of promoting our brand and product recognition through colourful and creative marketing activities.

Launch creative marketing

In 2022, by virtue of Yadea's featured marketing activities, the 6th "717 Cycling Festival", the "Yuncun Camp Music Festival (雲村營地音樂節)" and the Chinese New Year integrated marketing project named "Fortune in the Year of Tiger Yadea Empowers the New Year (虎虎生威冠福氣，雅迪為新年冠能)", the Group was awarded the "2022 Event Marketing Gold Award" and the "2022 Integrated Marketing Gold Award" at the 29th China International Advertising Festival.

Yadea won the "2022 Event Marketing Gold Award" and "2022 Integrated Marketing Gold Award"

In addition, as a leading manufacturer of electric two-wheeled vehicles in China, Yadea was actively expanding into overseas markets and striving for the goal of globalisation. On 13 July 2022, Yadea attended the 2022 EuroBike, the European bike exhibition, held in Frankfurt, Germany. At the event, Yadea showcased the Wunder shared electric bike "CT26-01" jointly developed with Wunder Mobility, a renowned German software company. The model was welcomed by many consumers. The EuroBike is one of the world's largest exhibitions for bicycles and future mobile travel alternatives. Yadea's participation in the EuroBike represented another important step for Yadea to promote its globalisation strategy and expand the European market. It not only marked Yadea's entry into the European market and the steady pace of globalisation, but also demonstrated Yadea's determination to achieve the goal of globalisation.

Yadea attended the 2022 EuroBike

During the Reporting Period, the Group did not recall any product sold or shipped for safety and health reasons, and did not notice or be aware of any material non-compliance with laws and regulations concerning product responsibility, product and service health and safety, advertising and labelling that had a significant impact on the Group.

4.4 Sincere Service to Customers

The Group insisted on safeguarding the rights and interests of customers and earned the support and trust of customers with sincere and excellent services. The Group was strictly subject to the *Consumer Protection Law*, the *Regulations on Liability for Industrial Products Quality* and other relevant laws, regulations and administrative regulations, and also formulated and implemented the *Management Measures for Customer Complaint* to provide all sales personnel of the Group with detailed guidelines on the methods and procedures for responding to customer complaints in sales and after-sales activities. Once a user complaint or feedback was received, the Group would promptly conduct investigations in accordance with the established procedures, make reasonable explanations to relevant users in a timely manner and make every effort to accommodate the demand of users, for the sake of effectively protecting the legitimate interests of consumers. In addition, the Group also formulated the *Management Measures for Evaluation of Customers of E-commerce Companies* and the *Normative Document for the System of Live Broadcasting Studio* to regulate the customer service performance of the Group's e-commerce and distributors.

In order to support customers in all aspects and further improve the after-sales service system, the Group adhered to the service concepts of "three-heart" and "three-movement", namely "worry-free, comfortable and assured" and "active, interactive and touching" to provide customers with high-quality service experience. The Group provided users with 24-hour "one-click rescue" electric vehicle maintenance and rescue services, and undertook that the road service specialists of Yadea road service would reply within 5 minutes after receiving the service call, arrive at the site for diagnosis within 30 minutes and provide 15 minutes on-site maintenance services. For problems that could not be solved by on-site repairing, the road service specialist would send the faulty electric vehicles to a nearby service centre through trailer rescue services for further repair. In addition, in order to further improve the perception and satisfaction of end-users, the Group unified the standard of service procedures across the country and set up the "Star Service Station" with official certification and the service engineer plan. As at the end of the Reporting Period, the Group had a total of 313 officially certified "Star Service Stations", a total of 2,321 officially certified service engineers and a total of 5,026 "服務通二網 (Service Connect)" stations. At the same time, Yadea maintained the "Orange" campaign for more than a decade by providing 24-hour door-to-door services, 20 free maintenance services, free replacement of parts under RMB10 and other voluntary services to users in a number of different locations.

The presentation ceremony of official certification of Yadea's "Star Service Station" and service engineers

Yadea's "Orange" voluntary repair services

During the Reporting Period, the Group received a total of 1,257 complaints about products and services, all of which were resolved in a reasonable and efficient manner.

5. RESPONSIBLE OPERATION

UNSDGs involved in this section:

5.1 Efficient Supply Management

The Group continuously improved its supplier management and was committed to establishing a sustainable supply chain to achieve common development with suppliers. In order to standardise the supplier management of the Group, the headquarter of the Group formulated the standards and procedures for all aspects of supplier management, including the *Management Measures for New Supplier Access*, the *Management Measures for Supplier Performance*, the *Supplier Manual*, the *Management Measures for Moulding*, the *Management Measures for Bidding of Production Materials*, the *Management Measures for Price of Production Materials*, the *Management Measures for Secondary Development of Suppliers*, the *Management Measures for Supplier Rebates*, the *Management Measures for In-depth Supplier Management*, the *Management Measures for Elimination of Suppliers*, the *Management System for Distribution of Supply Proportion*, the *Management Measures for Change and Expansion of Suppliers*, the *Control Procedures for Supply Chain and Procurement Process* and the *Early Procurement Intervention Process*. All production bases and business units were required to strictly comply with relevant standards and procedures and were subject to the supervision of the Group's headquarters. This helped the Group's headquarters to strengthen communications with each production base, ensure the efficiency and practicality of relevant processes, fully mobilise the resources of the Group's headquarters and each base and realise resource integration.

In respect of selection and development of potential suppliers, the Group strictly regulated the access of suppliers and established an expert team to conduct a comprehensive evaluation on suppliers systems and products in accordance with the *Early Procurement Intervention Process* for the sake of "detailed tracking", so as to ensure that all suppliers could pass the quality assurance and inspection procedures before being engaged. In addition, the Group also issued the *Management System for Distribution of Supply Proportion* to strengthen the competition mechanism for the survival of the fittest in the supply chain, so as to link the supply proportion with the performance of suppliers and to the distribution of supply proportion of suppliers in a more standardised and reasonable manner. In respect of supplier management and monitoring, the Group consolidated the list of authorised production suppliers into a single system to enable online management and efficient monitoring. The information under the management of the system included but not limited to supplier authorization, bidding processing, execution of procurement agreements and comment records, which helped the Group to achieve standardised management of the entire chain of supplier access, performance assessment, assistance and improvement and optimisation and elimination.

During the Reporting Period, the Group had a total of 689 suppliers, all of which were in Mainland China. Suppliers passing the quality certification system accounted for 55.01%, those passing the certification for environmental protection accounted for 26.42% and those passing the certification for occupational health and safety management system accounted for 24.38%. 71.99% of suppliers were reviewed from the aspects of supply quality, delivery time and service quality.

In order to further standardise the management of environmental and social risks in the supply chain, the Group formulated an annual supplier visit and evaluation plan, aiming to objectively evaluate the suppliers within the system. During the visits and evaluation processes, the representatives of the Group conducted on-site audits and scoring and collected basic data on multiple dimensions, such as supplier's production processes, quality control, mould/equipment maintenance and change point management, thereby providing an important reference for supplier selection and control of supply proportion. During the visits and inspections, the Group was able to have a more in-depth understanding of the manufacturing of parts, which facilitated effective assessment of suppliers' risks in terms of quality, technology and ESG, and ultimately helped the Group to select high-quality suppliers with outstanding performance in general. In addition, regular communications also helped suppliers to deliver components in a timely manner during peak sales seasons, thus avoiding possible production delays and interruptions in achieving annual targets.

In order to promote green and low-carbon procurement, driven by corporate ESG responsibility and the dual-carbon goals of China, the Group not only imposed requirements on supply quality, but also tightened ESG requirements on suppliers in recent years, striving to facilitate the low-carbon transformation of its own supply chain. The Group clearly stipulated in the procurement contract that the environmental protection and compliance requirements of suppliers would be taken as the entry barrier for new suppliers, and the qualifications of new suppliers were strictly controlled. New suppliers were required to comply with specific ESG-related requirements whereas the ESG compliance of existing suppliers was examined at the same time. The Group also encouraged 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, etc., which were included in the scope of supplier performance assessment, so as the Group could play a more proactive role in green procurement.

5.2 Quality Cooperation for Distribution

Dealer cooperation was also an important part of Yadea's business development. To this end, the Group improved and implemented its management systems and policy documents, such as 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*, and established a sustainable distributor management mechanism, so as to effectively select high-quality, trustworthy and service-oriented distributors, strengthen daily supervision, eliminate fraud of distributors, maintain corporate reputation and provide consumers with excellent and high-quality services.

In order to ensure that distributors were capable of providing customers with good sales services and after-sales experience, the Group provided distributors with comprehensive and sufficient support and training for maintenance technologies. The sales department of the Group was responsible for distributor training in product shopping guide, store management, event promotion, etc., while the after-sales service centre was responsible for distributor training in after-sales customer service. In addition, the Group was committed to promoting the concept of sustainable customer service together with its distributor partners, and promoting high-standard service requirements to overseas distributors, so as to promote the sustainable development performance of Yadea's entire value chain.

During the Reporting Period, the Group reaffirmed Yadea's *Notice on Prohibition of Sales of Electric Bicycles Not in Compliance with the New National Standard* to all subsidiaries and distributors across the country, and required all distributors at all levels to post copies of relevant policy documents at specific prominent positions in the stores within the prescribed time, and impose penalties on those distributors and responsible regional directors who failed to comply on time to ensure that the distributors improved the level of compliance operation.

In addition, during the Reporting Period, in response to the new trend of sales through e-commerce, the Group's e-commerce centre conducted large-scale training on the theme of new retail business for offline store distributors to effectively improve the service level and capability of distributors.

Distributor training on new retail business

5.3 Data Privacy Protection

In respect of customers' personal information and privacy protection, the Group was strictly subject to relevant laws, regulations and management regulations applicable in its operation locations, and kept relevant information cautiously and confidentially. The Group formulated and implemented the *Security and Confidentiality System*, requiring management units at all levels to manage and use internal information and documents as required. The Group was equipped with a terminal transaction database management mechanism to systematically manage the data information inquiry and analysis functions and to monitor the retrieval of data by users to avoid the risk of data leakage. Only the personnel of the customer service department were entitled to access the data related to the Group and customer information. For relevant project personnel of the non-customer service departments, if it became necessary to obtain samples of user information, such as product demand analysis, market research or other projects linked to sensitive information of users, keyword sections could only be used after review by the Group's big data centre and audit and supervision department. In addition, the data platform only showed the results that had been processed and automatically calculated, so the operators were not able to obtain any personal information of individual customers.

During the Reporting Period, in order to strengthen the protection of network security, the Group further installed the HIDS mainframe anti-hacking system platform to solidify the security baseline of the mainframe and form a standardised mainframe security system. Meanwhile, the Group regularly detected the security risks of the mainframe and strictly prevented information leakage of the network platform.

During the Reporting Period, the Group did not have any case of non-compliance in relation to privacy information management, and was not aware of any complaint or case of serious infringement or leakage of consumer information and privacy in production, sales and after-sales services.

5.4 Integrity and Honesty

The Group attached great importance to business compliance and was strictly subject to 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 also continuously strengthened anti-corruption work and adopted a zero-tolerance attitude towards any form of corruption, bribery, extortion, money laundering and fraud. The Group formulated the *Integrity Management Regulations (V1.0)* to clarify the relevant responsibilities of individual department of the Group and the person in charge of integrity management and to strictly regulate the fraud behaviour of the management, governance level, employees or third parties of the audited unit to obtain improper or illegal benefits by deceptive means. In addition, the Group issued the *Anti-corruption Proposal* and required distributors and suppliers to sign the *Anti-commercial Bribery Agreement* in the contract to further promote anti-corruption work among partners.

The Group continued to carry out in-depth anti-corruption work with reference to complaints and reports, inspections, internal audits and special inspections. The Group also set up an independent department dedicated to the supervision and investigation of integrity issues. The Human Resources and Administration Centre and the Audit and Supervision Department regularly publicised anti-corruption knowledge and complaint channels, enhanced the awareness of anti-corruption and the awareness of anti-corruption reporting responsibility of all employees, for the purpose of effectively preventing and controlling the occurrence of corruption, bribery, insider trading and other related issues.

The Group formulated and implemented the *Whistleblower Protection and Reward System*, which clearly stipulated the targets and scope of reporting, the protection policies and measures for whistleblowers and the rewards for whistleblowers, so as to encourage all employees of the Group to actively report relevant suspicious behaviours. Employees could report through letters, whistleblowing hotlines, emails, WeChat official accounts, etc. After receiving the report, the designated department of the Group would register the reported incident according to the special handling procedures, verify the reported clues and report the results to the whistleblower after investigation, while ensuring that the information of the whistleblower would be kept confidential strictly.

The Group's internal whistleblowing channels are as follows:

- Complaint mailbox designated by the Audit, Supervision and Legal Centre
- Whistleblowing Hotline: 0510-88101338 or 18112399637
- Email: audit@yadea.com.cn
- WeChat Anti-corruption Official Account: Yadea Staff Station (Integrity Yadea Section)
- Other means or channels deemed appropriate by whistleblowers

The Group consistently insisted on providing anti-corruption training to all employees of the Group, with the focus on key positions. Each year, Yadea would organise anti-corruption training for all employees, including directors, and successively invited professionals to promote the concept of integrity to all employees and to explain in detail the cases of corruption and bribery of employees of the non-state-sector. Meanwhile, through internal announcements, employee handbooks, departmental morning and evening meetings, etc., Yadea made multiple advocacy and key explanations to ensure that employees had a thorough understanding of the spirit of anti-corruption and the specific requirements of which. In addition, the Group also incorporated "Anti-corruption and Compliance Management" into the basic training courses for new employees, requiring all new employees to study and pass the examination before joining the Group.

During the Reporting Period, the Group incorporated the "Anti-corruption and Integrity Education" training into the compulsory courses for empowering middle and junior level supervisors, with a total of more than 600 team leaders participating in the training.

Anti-corruption training

During the Reporting Period, the Group was not aware of any adjudicated material legal case regarding corruption brought against the Group or its employees or any other material non-compliance with laws and regulations that had a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

6. PEOPLE-ORIENTED

UNSDGs involved in this section:

6.1 Standardised Employment Management

EMPLOYMENT AND LABOUR STANDARDS

The Group regarded talents as the cornerstone of its development, and was strictly subject to the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China* and other laws and regulations. The Group also formulated and implemented internal policies and systems, such as the *Employee Handbook*, the *Management Measures for Recruitment*, the *Implementation Rules for Cadre Management* and the *Management Measures for Labour Contract*, so as to strive to protect the legitimate rights and interests of employees and to clarify the standards of employee benefits and benefits, such as remuneration, recruitment, employment, working hours, equal pay for equal work and holidays. All these aimed to effectively improve the efficiency of human resources and operation management.

The Group strictly complied with all applicable labour standards and strictly prohibited all forms of illegal labour, including but not limited to forced labour and child labour. The Group ensured that labour contracts were signed with all employees on a free and voluntary basis in accordance with the laws and that employees had the right to resign freely so long as reasonable notices were given and transparent resignation procedures were in place. The Group resolutely avoided detaining or in any way managing employees' personal documents, such as identity cards, passports and work permits. Before inviting candidates to the interview, the Group would verify their basic information, and no interview would be arranged for candidates under 16. Once any violation of the above labour standards was found, the Human Resources Department of the Group would immediately stop the relevant behaviour and rectify the case, circulate an internal notice to report the violation and publicise the corrective measures to prevent the recurrence of such a case. The Group would also conduct investigation on existing employees to prevent other similar non-compliance. During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations that had a significant impact on the Group relating to preventing child and forced labour.

In respect of recruitment, according to the needs of business and development, the Group adhered to the principles of "open recruitment, equal competition, strict assessment and merit-based employment" to recruit outstanding talents from the public through various external channels, such as annual campus recruitment and college student training programs. Candidates were required to pass the Group's written examinations, interviews, background checks and physical examinations and they could be employed by the Company as regular employees upon confirmation of their eligibility. Before formal employment, the Group would sign labour contracts with applicants in accordance with the laws to ensure that the rights and obligations of both employees and the Group could be protected.

In respect of dismissal, both the Group and the employee had the right to propose to terminate the labour contract. In particular, the Group was strictly subject to applicable laws and regulations when terminating labour contracts with employees in accordance with laws. If an employee seriously violated laws and regulations of China or in breach of the Company's rules and regulations and labour discipline, the Group would notify the employee in writing and terminate the labour contract once the case was verified.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that had 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.

EQUAL OPPORTUNITIES AND DIVERSITY

The Group always adhered to the core concept of "people-oriented" and protected the rights and interests of employees, and was committed to building a broad development and growth platform for employees and creating an equal, open and harmonious working environment. The Group implemented an equal opportunity policy, respected employees' basic rights conferred by laws, adopted a "zero-discrimination" attitude towards race, age, gender, social class, nationality, religion, disability, sexual orientation and other conditions of employees, eliminated discrimination or harassment in the workplace. The Group also allowed, encouraged and ensured open communications between employees and the management on working conditions without fear of reprisal, threat or harassment.

In addition, the Group protected employees' right of freedom of association and freedom to join trade unions and the right to represent groups and workers' committees. The labour union was committed to safeguarding the legitimate rights and interests of employees in production safety, actively undertaking the responsibility of educating employees to strictly abide by various production safety regulations and operating procedures of the enterprise, cooperating with the safety training policy of the enterprise, assisting in the administrative implementation of the rules and regulations on enterprise safety and health and supervising the implementation of labour safety and health regulations of China. Meanwhile, if the labour union discovered any dangerous operation behaviour, obvious hidden dangers of accidents and occupational hazards or conditions endangering the life of employees, the labour union had the right to organise employees to evacuate the dangerous place and propose solutions, and required the Group to make timely decisions on administrative issues.

EMPLOYER BRAND BUILDING

With the extensive application of the Internet and social media, the Group actively carried out employer brand building, kept pace with the times and innovated the recruitment model to attract talents in an all-round manner, thus continuously expanding Yadea's talent team. During the Reporting Period, the Group adopted new recruitment channels, including but not limited to:

- Create a new recruitment official website to realise visible attraction;
- Make use of self-media platforms, such as live streaming for recruitment, official account push and video account, to expand recruitment channels and attract more talents;
- Improve the external reception environment to enhance user experience;
- Provide complimentary and customised gift sets to students recruited from schools during the campus recruitment process to enhance their recognition and sense of belonging to the Group.

EMPLOYEE DATA SUMMARY

As at the end of the Reporting Period, the Group had a total of 11,825 employees, all of whom were full-time employees. The specific distribution is as follows:

Number of Employees	
By gender	
Male	8,045
Female	3,780
By age	
30 or below	5,173
31-40	5,225
41-50	1,263
51 or above	164
By geographical region	
Hong Kong	5
Mainland China	11,560
Other regions	260

As at the end of the Reporting Period, a total of 721 employees left the Group, representing an overall turnover rate of 6.10%. Details of the turnover rate are as follows:

Employee Turnover Rate[2]	
By gender	
Male	6.10%
Female	6.08%
By age	
30 or below	6.09%
31-40	6.11%
41-50	6.10%
51 or above	6.10%
By geographical region	
Hong Kong	20.00%
Mainland China	6.10%
Other regions	5.77%

2 The formula for the calculation of employee turnover rate of each category: Number of employee turnover of the category during the Reporting Period/Total number of employees of the category as at the end of the Reporting Period × 100%.

6.2 Protection of Employee Benefits

The Group effectively protected employee benefits by committing to enhancing employees' sense of happiness and their sense of identity and belonging to the Group. The Group also strived to create a healthy and comfortable working environment for its employees by equipping the workplace with advanced instruments and office appliances and keeping the office and the catering area clean and tidy. In addition, green plants were decorated in the office, and ancillary facilities, such as pantry, library, staff canteen, gym room and baby care room were provided. For employees living in areas far from the Company, the Group arranged staff quarters close to their workplaces and provided shuttle bus services and other supporting arrangements to maximise the convenience of employees' work and life. Besides, the Group provided all employees with meal subsidies, high temperature subsidies and other welfare subsidies to provide protection for their basic life and normal work.

Staff gym room

Spacious staff quarters with adequate lighting

The Group attached great importance to the physical and mental health of employees, and actively organised various cultural and sports activities to enrich their life in leisure time and achieve a balance between life and work in an efficient way. The Group provided employees with holiday gifts, employee birthday benefits and additional departmental team building expenses, including but not limited to birthday parties, gifts for Women's Day, Spring Festival shopping cards, gifts for Mid-Autumn Festival, gifts for Dragon Boat Festival, Mother's Day care, etc. Meanwhile, the Group also took the lead to organise all sorts of interesting and joyful events, including family day activities, employee tea parties, youth culture salons, Spring Festival reunion dinners, group movie viewing, reading sharing sessions, fun sports games, Mid-Autumn Festival lantern riddles quiz, community welfare activities, low-carbon actions and other employee activities. In addition, the Group provided employees with external study opportunities from time to time to promote their development through learning, broaden their mental horizons and empower their career development.

Mid-Autumn Festival lantern riddles quiz

Flower Art Activities on Women's Day

In addition to work, the Group also encouraged employees to well organise their family life, and spared no effort to provide assistance and condolences to employees and their families in need, so as to build an all round and three-dimensional employee care network for employees, their families as well as domestic and overseas employees. During the Reporting Period, the Group organised a family day, inviting employees and their families to participate in the event to share the joyfulness and fun of family through interaction in games and talent shows. Yadea also cared for the family members of overseas employees by sending them holiday cards and gifts to express Yadea's care for their families. In addition, Yadea took the initiative to care for employees with serious illnesses and difficulties in life, and organised donation activities for them to help them get over their difficulties.

Caring gifts for family members of employees in overseas

Visiting an employee with critical illnesses and organising donations events accordingly

6.3 Occupational Health and Care

Yadea emphasised the importance of employees' health and safety, adhered to the principle of *Safety First, Care for Life*, strengthened the management of production safety and risk monitoring, established and consolidated the culture of safety production and created a safe and healthy workplace. The Group was strictly subject to the *Production Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other laws and regulations, and formulated and implemented internal policies such as the *Management Measures for Production Safety*, the *Management Measures for Special Equipment*, the *Management Measures for External Construction Personnel* and the *Management Measures for Fire Control* to provide guidance for occupational health and safety measures.

The Group took a series of specific measures to ensure the health and safety of employees in daily operation, including but not limited to:

Employee Health

- Organise physical examinations for employees in different positions, establish health records for them and assist them in treatment;
- Optimise the working environment, realise dust-free and harmless workplaces, and reduce occupational hazards;
- Improve the management system on cafeteria sanitary to ensure food safety;
- Encourage employees to participate in sports activities by organising annual basketball matches and sports games to relieve employees' pressure.

Production Safety

- Set up targets for production safety and sign letter of responsibility, establish an organisation for production safety covering the Company's management, department heads, safety officers and the Company's department in charge of production safety;
- Provide mandatory safety training to all employees at induction, and only those passing the assessment are allowed to take jobs;
- Provide personal protection equipment to employees at production plants and conduct relevant training;
- Leave all the mobile phones in the common areas of the plant for centralised management whenever on duty to prevent safety accidents caused by distraction;
- Establish a three-level safety inspection and hazard rectification mechanism.

Safety Education

- Organise the Safety Production Month in June every year and provide safety education to all employees through safety banners, fire drills, training, etc.;
- Provide weekly safety training to production departments with reference to real-time safety conditions, so as to train employees' safety skills and enhance their safety awareness, etc.;
- Organise relevant employees to participate in special operation skills training and three-level safety education to ensure that operators are licenced accordingly.

In case of a production safety accident, the Group would immediately follow up and conduct disability identification for relevant personnel. In case of accidents confirmed as work-related injuries after investigation, the Group would reimburse the medical expenses for the relevant personnel and bear the wages during the work-related injuries. Meanwhile, in order to reduce the possibility of work-related injuries, the Group actively held various kinds of safety drills and occupational safety training sessions. For example, the Group organised regular and irregular fire safety training sessions, explained the use of fire extinguishers, preventive measures for fire accident and fire escape methods for employees, so as to enhance employees' awareness of fire safety measures and enhance their ability to respond to fire safety.

Drills and training for fire safety

The number of work-related fatalities during the last three financial years, including the reporting year, is listed below:

	2022	2021	2020
Number of work-related fatalities	1	0	0

In particular, during the Reporting Period, there was an employee death incident due to sudden cardiac arrest. In order to prevent the recurrence of such incidents, in addition to existing efforts, the Group continued to organise regular physical examinations for employees and further strengthen their awareness on health.

During the Reporting Period, the Group lost 163 working days in total due to work injury. In order to prevent the recurrence of related work-related injuries, the Group adopted various measures to improve the level of safety protection during the Reporting Period. For example, power switch locks were added to the equipment (one lock for one-person operating panel, two locks for two-person operating panel, and the equipment could not be started unless two locks were opened simultaneously). Besides, more production site inspection forms were provided and the management personnel should inspect, sign, and record the spotted issues and solutions thereof in those forms while relevant details were explained to all employees in morning meetings. Finally, team training and learning sessions for accident investigation and analysis were arranged and safety management and equipment safety operation training sessions were also organised.

6.4 Talent Development and Training

The Group always attached great importance to the training and development of employees and continuously improved the talent training and development system. The Group formulated internal training systems and policies such as the *Control Procedures for Training* and the *Management Measures for Internal Lecturers of Enterprises*. By providing different types of vocational training for employees, the Group trained talents suitable for the Group's operation management and professional technical standards, so as to achieve the management concept of "selecting, using, cultivating and retaining" talents, thereby enhancing the overall competitiveness of the Group.

The Group further updated and released Yadea's talent development system to clarify the development paths and quality requirements for management personnel and non-management personnel. Meanwhile, the Group provided employees with systematic non-material incentives by commending and encouraging outstanding value contributors, so as to stimulate the team spirit and improve the subjective initiative of employees. During the Reporting Period, the Group continued to review its organisational structure and optimise its organisational structure and personnel reserve according to the continuous development and expansion of its business, for the purpose of providing plenty room for further development of existing and new employees.

The Group provided its employees with all sorts of general and professional skills training courses to enhance their basic and professional knowledge and skills. In particular, the Human Resources Department launched various talent development projects at the group level according to the needs of strategic development. Other departments provided more specific professional training sessions for employees in various departments based on the daily operations. In order to further expand the training content, the Group's talent development centre continuously enriched the curriculum system, actively cooperated with external institutions and deepened training courses for product knowledge, project management, IPD, mind mapping, quality system, total quality management (TQM), business etiquette, cultural consensus and upgrading.

Based on our actual business situation, the Group organised "Ivy (常青藤)" training program for junior management staff to build a junior management team. For overseas teams, the Group launched "Starry Sky (滿天星)" training program to develop overseas talents, activate organisational vitality and empower our frontline staff. For new employees, the main content of training was to explain and promote the corporate culture and value, aiming to strengthen the cultural education of employees and enhance their sense of corporate culture identity. In addition, the Group also required all units to strictly implement the "mentorship system" by assigning "mentors" to new employees and providing new employees with guidance and guidelines for work and life, so as to help them adapt to the working environment and team as soon as possible.

Training activities in 2022 (part only)

During the Reporting Period, the Company and its subsidiaries organised a total of 13 training programs for different fields, including 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), the Ivy Program (training for team leaders), ESG system related training, etc. The total training hours were approximately 311,192 hours, with an average of approximately 26.32 hours per employee.

	Percentage of Employees Trained[3]	Average Training Hours[4]
By gender		
Male	68.03%	26.25
Female	31.97%	27.17
By employee category		
Senior Management	1.40%	198.68
Middle Management	2.27%	55.88
General staff	96.33%	25.62

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

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

7. ENVIRONMENTAL PROTECTION

UNSDGs involved in this section:

7.1 Response to Climate Change

As a high-end electric bicycle enterprise integrating the R&D, production and sales of electric two-wheeled vehicles and components, Yadea had inherent natural attributes of environmental protection, low-carbon and green. Adhering to the low-carbon belief, the Group constantly set new records for low-carbon footprint through technological revolution, actively responded to climate change with green products and services and provided customers with green travel experience. During the Reporting Period, Yadea made integrated disclosures of the Group's risk management on climate change with reference to the framework recommended by TCFD from four major aspects, namely governance, strategy, risk management, indicators and goals.

GOVERNANCE

The Group established an ESG governance structure led by the Board. As part of its sustainability efforts, the Group's climate risk management responsibilities were organically integrated into the Group's overall ESG governance framework. The Board was responsible for overseeing the development of climate risk-related strategies and targets and the implementation of policies and measures. With the authorization of the Board, the ESG Committee assisted the Board in formulating climate strategies and plans, identifying, evaluating, managing and reviewing major issues, risks, opportunities, goals and progress in achieving goals related to climate change. The ESG Working Group was responsible for implementing climate strategies, policies and other measures, formulating detailed work plans, tracking material climate issues and international trends, and reporting to the ESG Committee on a regular basis. In addition, all business departments of the Group worked closely with the ESG Working Group to facilitate sustainable development projects related to climate change, promote low-carbon working models in the office and disclose relevant information on climate change and risk management through multiple channels.

STRATEGIES

Climate change intensified and frequent climate events, such as extreme weather, posted significant risks to the global economy. Physical risks (such as extreme weather) and transition risks (such as low-carbon related policies) imposed direct or indirect impacts on various industries. In recent years, climate change led to more frequent extreme weather, bringing significant physical risks to the Group. For example, floods caused by typhoons and rainstorms would have negative impacts on the Group's operations and stable supply chain. In addition, China officially announced the goal of "striving to peak carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060" at the 75th General Assembly of the United Nations. Against this backdrop, the Group might face policy risks of more stringent environmental regulations. Therefore, the Group paid close attention to the impact of climate change on its business and continued to keep an eye on relevant risks and opportunities so as to cope with climate change in a more effective way.

In addition, in response to the "dual-carbon" goal of China, the Group continued to improve the performance of electric bicycles and focused on the R&D of products with lower energy consumption, longer mileage range and longer battery life with its strong belief in green environmental protection and revolutionary technological innovation to create a new future of green travel for consumers. The Group actively developed Yadea's high-end intelligence and adopted the world's advanced Gogoro Network battery exchange technology to continuously extend the single range of batteries of electric vehicles. In addition, the Group also focused on promoting the use of graphene batteries and replacing lead-acid batteries with lithium batteries, aiming to increase the coverage of graphene batteries and lithium batteries to 50% of its products.

Given its unremitting efforts in carbon reduction and efficiency enhancement, the Group won the first "Certificate of Carbon Footprint of Product" in the industry in 2021 for Yadea Guanneng 2nd generation DE8 electric vehicles in recognition of the low-carbon performance of the "cradle-to-grave" life cycle of the product (including raw material acquisition stage, production and manufacturing stage, product distribution stage, use stage and waste disposal stage). In addition, during the Reporting Period, on the "World Earth Day" on 22 April, Yadea won the first "Evaluation Certificate of Carbon Label of Product" in the industry issued by the China Electronic Energy Conservation Technology Association at the opening ceremony of the "2022 First Global Carbon Label Commodities Exhibition and Section III China International Low Carbon Technology Online Expo", thus creating another "industry first".


证书编号：CBC-PCF-2021006

产品碳足迹证书

国信认证无锡有限公司根据相关核查程序发布本证书，对如下内容的真实性和有效性予以证明：

产品名称及型号：	电动自行车 TDR2481Z
委托人名称及地址：	雅迪科技集团有限公司 江苏省无锡市锡山大道 515 号
生产者名称及地址：	雅迪科技集团有限公司 江苏省无锡市锡山大道 515 号
生产厂名称及地址：	雅迪科技集团有限公司 江苏省无锡市锡山大道 515 号
数据时间边界：	2021 年 7 月 1 日至 2021 年 10 月 31 日
功能单位：	1 辆 TDR2481Z 电动自行车在生命周期内行驶 1km 提供的出行服务（生命周期使用年限设定为 5 年，生命周期行驶里程设定为 60000km）
每功能单位产品碳足迹数值：	13. 23 克二氧化碳当量每千米
核查所依据的标准及规则：	ISO/TS 14067 & PAS 2050
系统边界：	从摇篮到坟墓
产品各阶段碳排放比例：	

原料获取阶段	生产制造阶段	产品分销阶段	使用阶段	废弃处置阶段
38.9%	0.21%	1.01%	59.50%	0.37%

发证时间：2021 年 12 月 31 日 有效期至：2023 年 12 月 30 日

CBC 国信认证 签发人：

国信认证无锡有限公司

地址：中国 无锡 新区新华路5号A幢 网址：www.cbcwx.org.cn

The first "Certificate of Carbon Footprint of Product" in the industry


CO_2 碳标签 Carbon Label

产品碳标签评价证书

证书编号：CEESTA-CLC-2022-0031

中国电子节能技术协会根据相关评价程序发布本证书，对如下内容的真实性和有效性予以证明：

产品名称/型号：	电动自行车TDR2481Z
委托人名称/地址：	雅迪科技集团有限公司 江苏省无锡市锡山大道515号
生产企业名称/地址：	雅迪科技集团有限公司 江苏省无锡市锡山大道515号
产品系统边界：	从原材料生产、原材料运输、生产与制造、产品分销、产品使用、废弃处置
数据核算期：	2021 年 7 月 1 日-2021 年 10 月 31 日
功能单位：	1辆TDR2481Z电动自行车在生命周期内行驶1km提供的出行服务（生命周期使用年限设定为5年，生命周期行驶里程设定为60000km）
碳排放数值：	13.23 克二氧化碳当量每千米
评价依据的标准和规则：	《行业统一推行的产品碳标签自愿性评价实施规则（暂行）》 《ISO/TS 14067：2018温室气体 产品碳足迹关于量化和通报的要求和指南》 《PAS 2050：2011商品和服务在生命周期内的温室气体排放评价规范》

该产品碳足迹核查机构为国信认证无锡有限公司

发证日期：2022年4月22日 有效期至：2024年4月22日

CLEC 法定代表人：

中国电子节能技术协会

The first "Evaluation Certificate of Carbon Label of Product" in the industry

In the future, the Group will continue to keep track of the latest changes in climate change risks, keep abreast of the changes in industry and global risks, and ensure that an effective and appropriate climate change risk management mechanism is in place within the Company to effectively reduce the potential impact of relevant risks and grasp the new opportunities brought by climate change in a more effective way.

RISK MANAGEMENT

During the Reporting Period, the Group carried out preliminary climate risk assessment and investigation. Through macro trend analysis, peer benchmarking and stakeholder engagement, the Group assessed and identified climate change-related risks that might have potential and significant impact on the Group's business, and also conducted a gap analysis against existing countermeasures, thereby laying a foundation for the Group to continuously strengthen its capabilities in climate change risk management. A total of 4 climate change risks of the highest importance to the Group's business were identified in the assessment, all of which were transition risks. Details are as follows:

Category	Risks	Risk Description	Potential Impact on the Enterprise
Technology risk	Failing to invest in new technologies	The electric two-wheeled vehicle industry also had the demand for green and low-carbon development. In response to the demand, enterprises needed to increase R&D investment in product development	In order to adapt to the requirements of green and low-carbon development, the electric two-wheeled vehicle industry needed to initiate energy-saving and carbon-reducing transformation and R&D design in product development, which required a large amount of R&D funds and human and material resources. However, it might be a risk of failure in investment in new technologies
	Expense for low-carbon technology transformation	The market's pursuit of low-carbon products would promote the R&D of low-carbon technologies and products by enterprises, and the investment in low-carbon R&D by enterprises might increase	Replacement of traditional energy/high energy consumption and outdated equipment with new energy/energy-saving equipment might lead to an early retirement of existing assets, resulting in an increase in operating expenses. Being lagged behind in energy transformation due to geographical/technical constraints might also lead to an increase in operating expenses

Category	Risks	Risk Description	Potential Impact on the Enterprise
Market risk	Additional costs were required for battery recycling	Electric two-wheeled vehicles also needed batteries and the market was increasingly concerned about the carbon emissions of the entire life cycle of electric two-wheeled vehicles. Since battery recycling involved certain technical requirements, additional costs might be incurred in operation	Enterprises needed to incur additional costs to recycle and reuse batteries, which might have certain financial impact
	Costs of raw materials might increase	Affected by market trends, suppliers also faced the same climate risks and technical adjustments were needed to adapt to a low-carbon environment, resulting in rising operating costs and raw material costs of suppliers. In addition, the increase in prices of traditional energy and non-renewable resources might push the product costs and selling prices higher	Failure of suppliers to adjust in a timely manner and failure to meet the requirements of the market and the Company might lead to a shortage of supply or an increase in procurement costs due to an increase of supplier costs, which might lead to an increase in operating costs

Given the potential climate change-related risks mentioned above, the Group would set up a special team to focus on the R&D of carbon-reducing and energy-saving technologies in response to the requirements of low-carbon transformation technologies against the backdrop of climate change. In addition, the Group would also optimise the screening mechanism for suppliers, continue to explore potential suppliers, pay attention to suppliers with good performance in sustainable development and adopting new technologies in line with environmental protection and carbon reduction. The Group would also formulate relevant policies and actively avoid the problem of rising procurement costs of corporate raw materials indirectly caused by the rising environmental compliance costs under the background of climate change.

METRICS AND TARGETS

The Group paid close attention to the key indicators related to climate change, continuously tracked and recorded the Scope 1 and Scope 2 GHG emissions, and disclosed relevant information in a fair and true manner in the annual ESG report.

For the data of GHG emissions of each production base of electric vehicles of the Group during the Reporting Period, please refer to the table below:

Electric Vehicle Production Base	Measurement Unit	2022	2021
GHG			
Total GHG emissions[5]	tCO_2e	**37,021.37**	22,853.51
Total GHG emissions intensity	tCO_2e/thousand electric vehicles	**2.64**	1.53
Scope 1 GHG emissions[6]	tCO_2e	**7,653.45**	4,448.95
Scope 2 GHG emissions[7]	tCO_2e	**29,367.92**	18,404.56

For the data of GHG emissions of the production base of battery of the Group, namely Huayu, during the Reporting Period, please refer to the table below:

Battery Production Base	Measurement Unit	2022
GHG		
Total GHG emissions	tCO_2e	**119,915.79**
Total GHG emissions intensity	tCO_2e/RMB million of operating income	**30.99**
Scope 1 GHG emissions	tCO_2e	**7,019.62**
Scope 2 GHG emissions	tCO_2e	**112,896.17**

During the Reporting Period, the Group actively cooperated with external professional consultant teams to initiate a systematic carbon footprint investigation to develop a more targeted roadmap for carbon reduction, thus further enhancing the Group's quality in risk management of carbon emission and climate change.

5 During the Reporting Period, since the new electric vehicle production base (Chongqing production base) was officially put into operation and the existing electric vehicle production bases experienced an expansion of personnel scale, an increase in production volume and the operation of new production lines, the total GHG emissions increased significantly as compared with 2021.

6 In 2022, the Group's Scope 1 GHG emissions mainly came from gasoline and fuel consumption, machinery fuel consumption and natural gas consumption. The calculation of relevant emission factors was based on the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Road Transport Enterprises (Trial)* and the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Enterprises in Other Industries (Trial)*.

7 In 2022, the Group's Scope 2 GHG emissions were mainly from purchased electricity and purchased steam, which were calculated using the national grid average emission factors and thermal power emission factors as provided by the *Power Generation Facilities under the Guidelines for Accounting and Reporting of Corporate Greenhouse Gas Emissions (Revision 2022)*.

7.2 Strict Emission Management

The major emissions generated from the Group's operations included sewage, exhaust gas, non-hazardous and hazardous solid waste. In order to ensure that the Group's emissions complied with the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Law of the People's Republic of China on Environmental Impact Assessment* and other laws and regulations, and met the national standards, such as the *Integrated Wastewater Discharge Standard* (GB8978-1996), the *Ambient Air Quality Standards* (GB3095-2012) and the *Environmental Quality Standard for Noise* (GB3096-2008), the Group developed a series of internal rules, regulations and policy guidelines. Under the Group's general policy framework, Yadea's production bases formulated management processes, standards and emergency plans for three wastes and noise, including the *Control Procedures for Exhaust Gas Management*, the *Control Procedures for Wastewater Management*, the *Control Procedures for Waste Management*, the *Control Procedures for Noise Management*", the *Emergency Plan for Hazardous Waste Accidents* and the *Control System for Hazardous Waste Prevention*. During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that might have a significant impact on the Group.

The major types of emissions generated from the Group's operations were as follows:

Sewage
— Waste water from VOC recycling process
— Domestic sewage

Exhaust
— Industrial exhaust from coating
— Cooking fumes

Non-hazardous solid waste
— Waste packaging materials

Hazardous solid waste
— Solvent, thinner, paint residue, spent carbon, sludge and others generated by production activities

For the discharge of various pollutants, each production base of the Group was equipped with staff with professional qualifications in health, safety and environment, and strictly implemented the emission treatment procedures in accordance with relevant systems.

EMISSION MANAGEMENT MEASURES

Sewage

For the treatment of discharged sewage, the Group set up rainwater pipe networks and sewage pipe networks in each production base to strictly implement rainwater and sewage diversion. The sewage was treated in septic tanks and grease traps, and then treated by self-built sewage treatment facilities to ensure that the water quality could meet local standards before entering the municipal sewage pipe network. Each base was required to conduct regular testing to ensure that the wastewater standards could meet the requirements. For example, the Tianjin production base conducted wastewater monitoring on a quarterly basis and issued monitoring reports to ensure that the concentration of wastewater discharge could meet the standard requirements. In addition, the coating process of the Wuxi production base was equipped with a circulating water system. During the Reporting Period, a number of the Group's production bases were equipped with wastewater treatment equipment to meet the wastewater treatment and discharge requirements in the factory area and the level 1 discharge standard of China.

AIR POLLUTANTS

For the emission of air pollutants, the Group strengthened the control and treatment of VOC in the paint spraying and coating process through integrated measures. On one hand, the Group controlled the generation of VOC from the source and promoted the use of relatively clean and ready-to-use coating with VOC content below 420 grams per litre. On the other hand, the Group set up enclosed production sites especially for the paint calibration and spraying process, which were equipped with VOC detection systems meeting the national environmental protection requirements and exhaust collection facilities with a collection efficiency of no less than 90%. In particular, the production base in Tianjin collected VOC in the painting room for harmless treatment through water curtain, spray, zeolite runner, adsorption and desorption, so as to carry out combustion treatment finally. The low-concentration exhaust gas generated by the production line of the Anhui production base was first filtered by the philtre box of the washing cabinet, and then concentrated by the rotor to obtain high-concentration exhaust gas, which then burned and emitted after the regenerative thermal oxidisation ("**RTO**") treatment. The Wuxi production base applied a set of "paint mist washing cabinet + dry filtration + zeolite runner adsorption + RTO desorption" treatment system to treat exhaust gas.

RTO treatment equipment in the Anhui production base

NON-HAZARDOUS WASTE

For the discharge of non-hazardous solid waste, the Group regularly delivered domestic waste to the local environmental sanitation department for treatment every month, while waste packaging materials were recycled and reused by third party agencies to achieve resource recycling.

HAZARDOUS WASTE

For the discharge of hazardous solid waste, the Group's production facilities strictly carried out the process of classification for treatment. In particular, the treatment of hazardous waste in each production base followed the principle of "production management shall cover environmental protection", which clearly stipulated that the general manager of the Group was the first person-in-charge of the prevention and control of hazardous waste. The Group set up the "Hazardous Waste Pollution Prevention and Control Leading Group" led by the general manager and composed of leaders from various departments, which was responsible for assigning specific locations for the collection, storage and transfer of hazardous waste, and the entry and exit details were signed and recorded by the relevant person-in-charge. During the Reporting Period, the Group engaged enterprises with hazardous waste business licences and within the approved operating categories to dispose of all hazardous waste.

In particular, the Group formulated relevant emergency plans to avoid leakage of hazardous waste or chemicals. For example, the Tianjin production base developed the *Special Environmental Emergency Plan for Hazardous Waste*, clearly stipulating the following emergency treatment processes:

1. Approach the site of leakage from the downwind direction and never enter the site without regard of safety.
2. Avoid all electrostatic or spark caused by friction and collision and put out any open fire and any other forms of heat and fire source to reduce the risk of fire and explosion.
3. Use tools that do not produce impact and electrostatic spark and recycle the leakage into a closed container for moving to a safe place.
4. Use activated carbon or other inert materials for absorption in case of minor leakage; and build embankments for entrapment, excavate pits for storing and laying sand for covering to alleviate the impact of steam for subsequent transporting to specific locations.
5. Heap up sandy soil for enclosure to prevent hazardous chemical waste from entering restricted areas like sewers and drainage ditches so as to avoid pollution of extensive areas in case of leakage of hazardous chemical waste.

In addition, the Group standardised the control on noise generated from production and operation activities. The production equipment of each base was reasonably distributed in the plants. After taking into account factors like sound insulation of the plants and the reasonable separation distance of the equipment, the noise of the plants reached the level 3 standard of the category of environmental function area outside the boundary of the plant in the *Emission Standard for Industrial Enterprises Noise at Boundary* (GB12348-2008), ensuring that the production noise of the Group did not affect the local environmental quality.

The data of sewage, air pollutants and waste discharge of each electric vehicle production base of the Group for the Reporting Period[8] is summarised below:

Electric Vehicle Production Base	Measurement Unit	2022	2021
Sewage Discharge			
Total sewage discharge	Tonnes	**345,509.50**	331,386.00
Total amount of Chemical Oxygen Demand ("**COD**") in sewage	Tonnes	**20.40**	6.76
Total discharge of ammonia nitrogen in sewage	Tonnes	**0.58**	1.38
Air Pollutant Emissions			
Total VOC	Tonnes	**329.95**	16.51
Total particulate matter	Tonnes	**13.65**	2.09
Total nitrogen oxides	Tonnes	**2.55**	2.84
Total SO_2	Tonnes	**1.41**	2.60
Waste			
Total hazardous waste produced	Tonnes	**1,810.84**	463.03
Intensity of hazardous waste produced	Tonnes/thousand electric vehicles	**0.13**	0.03
Total non-hazardous waste produced	Tonnes	**18,528.60**	6,752.28
Intensity of non-hazardous waste produced	Tonnes/thousand electric vehicles	**1.32**	0.49

The data of sewage, air pollutants and waste discharge of Huayu, the battery production base of the Group, for the Reporting Period is summarised below:

Battery Production Base	Measurement Unit	2022
Sewage Discharge		
Total sewage discharge	Tonnes	**29,760.00**
Total amount of COD in sewage	Tonnes	**5.27**
Total discharge of ammonia nitrogen in sewage	Tonnes	**0.53**
Air Pollutant Emissions		
Total VOC	Tonnes	**/**
Total particulate matter	Tonnes	**17.02**
Total nitrogen oxides	Tonnes	**6.33**
Total SO_2	Tonnes	**8.16**
Waste		
Total hazardous waste produced	Tonnes	**15,413.40**
Intensity of hazardous waste produced	Tonnes/RMB million of operating income	**3.98**
Total non-hazardous waste produced	Tonnes	**31.00**
Intensity of non-hazardous waste produced	Tonnes/RMB million of operating income	**0.01**

8 During the reporting period, due to the full production of Chongqing and Anhui production bases and the fact that production capacity is still in the climbing stage, the proportion of internal production of components has increased, and the expansion of personnel scale and increase in production of other electric vehicle production bases, the emission data except for nitrogen oxides and sulfur oxides has increased significantly compared to 2021.

7.3 Optimisation of Resource Use

The Group made every effort to conserve resources and improve the efficiency of resource use. The Group was strictly subject to the *Water Law of the People's Republic of China*, the *Regulations on Management of Economical Use of Urban Water*, the *Energy Conservation Law of the People's Republic of China*, the *Cleaner Production Promotion Law of the People's Republic of China* and other laws and regulations. The Group also formulated and implemented internal policies like the *Management System on Environmental Protection and Resources Conservation* and the *Regulations on Management of Energy Use*. During the Reporting Period, the Group continued to further develop the 5S model and lean production to improve the production efficiency of vehicles and also implemented a series of measures to actively facilitate energy conservation and efficiency enhancement at the same time.

In respect of water consumption, the Group initiated quality control activities by using Plan-Do-Check-Act (PDCA) quality management methods to diagnose the problem of abnormal water consumption, and gradually installed water-saving equipment and optimised the production process to enable water recycling. The Group advocated employees to cherish water and took the lead to organise water-saving publicity activities to save water and remind employees to turn off water taps and electricity switches when leaving. During the Reporting Period, the Group had no major difficulty in accessing applicable water resources.

Posting water-saving slogans

Yadea continuously operated an energy conservation improvement plan to encourage the participation of all employees

In respect of electricity consumption, the Group regularly inspected power distribution stations and carried out preventive inspections, and also evaluated the electricity consumption of new equipment to ensure the safety of electricity consumption. Meanwhile, all offices were required to use indoor air-conditioning equipment in a reasonable way. The temperature of indoor air-conditioning was controlled below 20 degrees in winter and above 26 degrees in summer. In addition, the Group strived to increase the proportion of renewable energy consumption. For example, the Wuxi and Zhejiang production bases continued to rely on photovoltaic power which was purchased from photovoltaic power stations jointly developed with external entities. At present, the Group is actively planning and deploying to further introduce green energy projects covering photovoltaic and energy storage to reduce carbon emissions from purchased electricity.

In respect of energy consumption, the Group advocated oil and gas saving, and phased out the traditional forklifts in the plants year by year by replacing them with electric forklifts. In addition, the Group encouraged employees to use electric vehicles and public transportation and to reduce the use of business vehicles while the mode of carpool and shared vehicles was encouraged. Production bases also implemented various measures to save energy with reference to local conditions. For example, the Jiangsu base shut down the paint oven in advance before the completion of production activities on the same day and used the residual temperature for the paint work to reduce the use of natural gas.

In respect of office emission reduction, the Group advocated green office to save paper usage by encouraging double-sided printing of office documents and toner cartridge refilling in each centre and production base and promoting the use of electronic office and networking to reduce paper consumption. In addition, each office endeavoured to recycle office paper to reduce packaging materials.

Recycling station of Yadea's office building

Posting paper saving slogans

The details of resources and energy consumption of each electric vehicle production base of the Group for the Reporting Period[9] are summarised below:

Electric Vehicle Production Base	Measurement Unit	2022	2021
Energy			
Consolidated energy consumption	MWh	**78,000.17**	45,592.81
Production energy consumption intensity	MWh/thousand electric vehicles	**5.57**	3.29
Total purchased electricity consumption	MWh	**51,495.57**	31,520
Photovoltaic power consumption	MWh	**3,834.46**	3,457.6
Total gasoline consumption	Ten thousand litres	**14.49**	12.62
Total diesel consumption	Ten thousand litres	**0.75**	1.03
Natural gas consumption	Ten thousand cubic metres	**240.20**	161.9
Water resources			
Total water consumption	Ten thousand cubic metres	**60.51**	46.6
Water consumption intensity	Ten thousand cubic metres/ten thousand electric vehicles	**0.04**	0.03
Packaging materials			
Packaging material consumption	Tonnes	**42,565.77**[10]	73,458.2
Packaging material consumption intensity	tonnes/thousand electric vehicles	**3.04**	5.30

9 During the reporting period, due to the full production of Chongqing and Anhui production bases and the fact that production capacity is still in the climbing stage, the proportion of internal production of components has increased, and the expansion of personnel scale and increase in production of other electric vehicle production bases, the overall energy and resources utility amount has increased significantly compared to 2021.

10 During the Reporting Period, due to factors such as adjustments in packaging material types, optimisation of product packaging dimensions, and a decrease in e-commerce shipments, the overall consumption of packaging materials decreased compared to 2021.

The details of resources and energy consumption of Huayu, the battery production base of the Group, for the Reporting Period are summarised below:

Battery Production Base	Measurement Unit	2022
Energy		
Comprehensive energy consumption	MWh	**224,938.71**
Production energy consumption intensity	MWh/RMB million of revenue	**58.12**
Total purchased electricity consumption	MWh	**191,285.32**
Photovoltaic power consumption	MWh	**7,442.06**
Total gasoline consumption	Ten thousand litres	**2.40**
Total diesel consumption	Ten thousand litres	**16.41**
Natural gas consumption	Ten thousand cubic metres	**212.13**
Purchased steam	Tonnes	**12,460.00**
Water resources		
Total water consumption	Ten thousand cubic metres	**20.46**
Water consumption intensity	Ten thousand cubic metres/RMB million of revenue	**0.01**
Packaging materials		
Packaging material consumption	Tonnes	**5.00**
Packaging material consumption intensity	Tonnes/RMB million of revenue	**0.0013**

7.4 Environmental Impact Reduction

The Group understood that it was the common responsibility of the Group and its stakeholders to actively respond to environmental protection and sustainable use of resources. As a leading brand in the electric two-wheeled vehicles industry, the Group aimed to lower the impact of its operations on the environment and raise the awareness among stakeholders by setting a model role. The Group attached 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 minimise the negative impact of its business on the environment. During the Reporting Period, the Group had no material event that had impact on environment and natural resources.

8. GIVING BACK TO SOCIETY

UNSDGs involved in this section:

8.1 Fighting Against the Pandemic Together

After the outbreak of the pandemic in early 2020, the Group immediately set up a special community welfare fund of RMB30 million to purchase medical protective materials to assist Hubei province in pandemic prevention and donated 10,000 electric vehicles to provide safety guarantee for front-line personnel. Over the past three years, Yadea donated more than 2 million pieces of materials to a number of provinces and cities, namely Jiangsu, Shandong, Liaoning, Inner Mongolia, Guangdong, Henan, Jilin, Fujian, Shanghai and others, with a donation amount of over RMB10 million. In addition, the Group also sent volunteer teams to the frontline of pandemic prevention several times to ensure the smooth implementation of pandemic prevention.

During the Reporting Period, the return of the pandemic led to repeated outbreaks in various places. Yadea responded quickly and set up a special team to contribute to the severely affected areas. Our production bases also became local forces to fight against the pandemic and worked together to build a barrier to prevent the pandemic.

Production Base	Supporting Area	Donation
Tianjin	Beichen District, Tianjin	• Donated supporting materials of approximately RMB300,000 and donation of RMB20,000 • Sent volunteers to assist in nucleic acid testing in the park
Anhui	Jinzhai County, Anhui	• Donated 400 tents with a value of RMB110,000 in total
Wuxi	Wuxi	• Organised a voluntary team with nearly 1,000 volunteers • Donated 2,000 tents with a value of approximately RMB640,000
Guangdong	Guangzhou	• Set up tents for pandemic prevention • Sent volunteers to assist in nucleic acid testing
Chongqing	Yongchuan District, Chongqing	• Donated tents, electric vehicles, masks and other materials with a value of approximately RMB50,000
Zhejiang	Ningbo	• Donated anti-pandemic materials, electric vehicles, 140 tents, etc.

Fighting against the pandemic

8.2 Disaster Relief in Frontline

Support from Yadea will be found in the frontline wherever there is a disaster. During the Reporting Period, natural disasters like earthquakes and typhoons occurred in many places in China. Yadea responded to the needs of the people in the disaster areas and immediately geared up, prepared materials, organised transportation capacity and delivered relief materials to these areas. The Group's coordinated deployment of manpower, material resources and transportation capacity as well as the rapid response after the occurrence of disasters benefited from Yadea's accumulated experience in community welfare activities, and such rescue actions became one of the Group's actions of fulfilling its social responsibilities constantly.

In July 2022, Qingyuan, Guangdong was hit by rainstorms and extensive flooding, rendering citizens trapped by flooded roads in certain districts. The Guangdong production base immediately organised the donation of electric vehicles for flood control, disaster relief and patrolling. In September, a magnitude 6.8 earthquake occurred in Ganzi Prefecture, Sichuan Province, resulting in landslides, collapse of tunnels, destruction of private houses and nearly 100,000 people were affected. Yadea quickly organised a special disaster relief team, immediately allocated manpower and transportation capacity, purchased disaster relief materials and sent them to the disaster areas, helping people return to normal life as soon as possible.

Donation of supplies to disaster areas

8.3 Supporting Rural Revitalisation

Yadea actively responded to the call of the State, cared for rural areas, contributed to rural revitalization and promoted common prosperity. During the Reporting Period, the Tianjin production base assisted Xinglong County, Hebei Province by donating funds to build a broadcasting classroom for the fourth primary school of the county. Yadea also encouraged its employees to organise group purchase of agricultural products to facilitate the economic development of poverty areas and recruited employees in the counties of Huachi and Zhengning in Gansu to help local people to get employed. Besides, the Company gave full play to its role as a leading company in the industry in gathering and driving other industry players, urged upstream and downstream corporations of the industrial chain to participate in supporting and fundraising activities of the government's east-west cooperation campaign, and made a donation of RMB565,000 on site. In order to facilitate the in-depth implementation of rural revitalization, the Chongqing production base donated new electric vehicles suitable for rural road transportation to neighbourhood offices for the sake of improving the security patrol capability of the district.

8.4 Community Welfare Activities

Yadea will be your company along the road of "Community Service". Yadea followed the relevant internal policies to take the lead to fulfil its corporate social responsibility with actions by adhering to the road of community service for years and upholding its original aspiration, thus maintaining a stable and long-term development.

During the Reporting Period, Yadea launched the "Caring Recharging Station" campaign and set up "Caring Recharging Stations" in its stores and urban business districts across the country to show our caring for outdoor workers like traffic policemen, cleaners, construction workers and couriers by providing them with free energy drinks. The Guangdong production base donated safety helmets to support the education and promotion of local traffic safety.

Yadea's "Caring Recharging Station"

Donation of safety helmets

The Group also actively responded to the fundraising initiative and donated more than RMB500,000 to a number of foundations to make positive contributions to community welfare, including caring for underprivileged groups and facilitating the development of an ethical lifestyle.

Yadea's donations to various foundations

9. CONTENT INDEX OF HKEX *ESG REPORTING GUIDE* AND *GRI STANDARDS*

<table>
<tr><th colspan="3">HKEX ESG Reporting Guide Requirements, Subject Areas, Aspects, General Disclosures and KPIs</th><th>Location of Disclosure</th></tr>
<tr><td colspan="4">Mandatory Disclosure Requirements</td></tr>
<tr><td>Governance Structure</td><td colspan="2">A statement from the board containing the following elements:
(i) a disclosure of the board's oversight of ESG issues;
(ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and
(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.</td><td>3.1 ESG Governance</td></tr>
<tr><td rowspan="3">Reporting Principles</td><td rowspan="3">A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</td><td>Materiality:
(i) the process to identify and the criteria for the selection of material ESG factors;
(ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.</td><td rowspan="3">1.2 Basis of Preparation</td></tr>
<tr><td>Quantitative:
Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</td></tr>
<tr><td>Consistency:
The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</td></tr>
<tr><td>Reporting Boundary</td><td colspan="2">A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</td><td>1.1 Reporting Boundary</td></tr>
</table>

<table>
<tr><th colspan="2">HKEX ESG Reporting Guide Requirements, Subject Areas, Aspects, General Disclosures and KPIs</th><th>Content Applicable to GRI Standards</th><th>Location of Disclosure</th></tr>
<tr><td colspan="4">“Comply or Explain” Provisions</td></tr>
<tr><td>A.</td><td colspan="3">ENVIRONMENTAL</td></tr>
<tr><td colspan="4">Aspect A1: Emissions</td></tr>
<tr><td>General Disclosure</td><td>Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to air and GHG emissions, discharges into water and land and generation of hazardous and non-hazardous waste.</td><td>GRI 3: Material Topics
Disclosure 3-3
GRI 305: Emissions</td><td>7.1 Response to Climate Change
7.2 Strict Emission Management
7.3 Optimisation of Resource Use
7.4 Environmental Impact Reduction</td></tr>
<tr><td>KPI A1.1</td><td>Types of emissions and respective emissions data.</td><td>GRI 305: Emissions
Disclosures 305-1,
305-2, 305-3,
305-6 and 305-7</td><td rowspan="4">7.2 Strict Emission Management</td></tr>
<tr><td>KPI A1.2</td><td>Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</td><td>GRI 305: Emissions
Disclosures 305-1,
305-2, 305-3 and 305-4</td></tr>
<tr><td>KPI A1.3</td><td>Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</td><td>GRI 306: Waste
Disclosure 306-2 (a)</td></tr>
<tr><td>KPI A1.4</td><td>Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</td><td>GRI 306: Waste
Disclosure 306-2 (b)</td></tr>
<tr><td>KPI A1.5</td><td>Description of emissions target(s) set and steps taken to achieve them.</td><td>GRI 305: Emissions
Reporting Requirements
1.2 and Disclosure 305-5</td><td>3.3 ESG Target Management</td></tr>
<tr><td>KPI A1.6</td><td>Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.</td><td>GRI 306: Waste
Disclosures 306-2 and
306-4</td><td>3.3 ESG Target Management
7.2 Strict Emission Management</td></tr>
</table>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<table>
<tr><th colspan="2">HKEX ESG Reporting Guide Requirements, Subject Areas, Aspects, General Disclosures and KPIs</th><th>Content Applicable to GRI Standards</th><th>Location of Disclosure</th></tr>
<tr><td colspan="4">Aspect A2: Use of Resources</td></tr>
<tr><td>General Disclosure</td><td>Policies on the efficient use of resources, including energy, water and other raw materials.</td><td>GRI 3: Material Topics Disclosure 3-3</td><td rowspan="3">7.3 Optimisation of Resource Use</td></tr>
<tr><td>KPI A2.1</td><td>Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (in thousand kWh) and intensity (e.g. per unit of production volume, per facility).</td><td>GRI 302: Energy Disclosures 302-1 and 302-3</td></tr>
<tr><td>KPI A2.2</td><td>Water consumption in total and intensity (e.g. per unit of production volume, per facility).</td><td>GRI 303: Water and Effluents Disclosure 303-1</td></tr>
<tr><td>KPI A2.3</td><td>Description of energy use efficiency target(s) set and steps taken to achieve them.</td><td>GRI 302: Energy Disclosures 302-4 and 302-5</td><td>3.3 ESG Target Management</td></tr>
<tr><td>KPI A2.4</td><td>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.</td><td>GRI 3: Material Topics Disclosure 3-3
GRI 303: Water and Effluents Disclosure 303-3</td><td rowspan="2">7.3 Optimisation of Resource Use</td></tr>
<tr><td>KPI A2.5</td><td>Total packaging material used for finished products (in tonnes) and, where appropriate, with reference to per unit produced.</td><td>GRI 301: Materials Disclosure 301-1</td></tr>
<tr><td colspan="4">Aspect A3: Environment and Natural Resources</td></tr>
<tr><td>General Disclosure</td><td>Policies on minimising the issuer's significant impact on the environment and natural resources.</td><td>GRI 3: Material Topics Disclosure 3-3</td><td rowspan="2">7.4 Environmental Impact Reduction</td></tr>
<tr><td>KPI A3.1</td><td>Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</td><td>GRI 3: Material Topics Disclosure 3-3
GRI 303: Water and Effluents Disclosure 303-2
GRI 304: Biodiversity Disclosure 304-2
GRI 306: Waste Disclosures 306-3(c) and 306-5</td></tr>
</table>

HKEX *ESG Reporting Guide* Requirements, Subject Areas, Aspects, General Disclosures and KPIs		Content Applicable to *GRI Standards*	Location of Disclosure
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.	GRI 3: Material Topics Disclosure 3-3	7.1 Response to Climate Change
KPI A4.1	Description of significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	*GRI Standards* do not cover this indicator	
B. SOCIAL			
Employment and Labour Practice			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.	GRI 3: Material Topics Disclosure 3-3	6.1 Standardised Employment Management 6.2 Protection of Employee Benefits
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	GRI 2: General Disclosures Disclosure 2-7 GRI 405: Diversity and Equal Opportunity Disclosures 405-1 (b-ii)	6.1 Standardised Employment Management
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	GRI 401: Employment Disclosure 401-1 (b)	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX *ESG Reporting Guide* Requirements, Subject Areas, Aspects, General Disclosures and KPIs		Content Applicable to *GRI Standards*	Location of Disclosure
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards.	GRI 3: Material Topics Disclosure 3-3	6.3 Occupational Health and Care
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years, including the reporting year.	GRI 403: Occupational Health and Safety Disclosure 403-2	
KPI B2.2	Lost working days due to work injury.	GRI 403: Occupational Health and Safety Disclosure 403-2	
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	GRI 3: Material Topics Disclosure 3-3	
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work and description of training activities. Note: Training refers to vocational training and it may include internal and external courses paid by the employer.	GRI 3: Disclosures on Material Topics 3-3 GRI 404: Training and Education Disclosure 404-2 (a)	6.4 Talent Development and Training
KPI B3.1	Percentage of employees trained by gender and employee category (e.g. senior management and middle management).	*GRI Standards* do not cover this indicator	
KPI B3.2	Average training hours completed per employee by gender and employee category.	GRI 404: Training and Education Disclosure 404-1	

HKEX *ESG Reporting Guide* Requirements, Subject Areas, Aspects, General Disclosures and KPIs		Content Applicable to *GRI Standards*	Location of Disclosure
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labour.	GRI 3: Material Topics Disclosure 3-3	6.1 Standardised Employment Management
KPI B4.1	Description of measures to review employment practice to avoid child and forced labour.	GRI 3: Material Topics Disclosure 3-3 GRI 408: Child Labour Disclosure 408-1 (c) GRI 409: Forced or Compulsory Labour Disclosure 409-1 (b)	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	GRI 3: Material Topics Disclosure 3-3 GRI 408: Child Labour Disclosure 408-1 (c) GRI 409: Forced or Compulsory Labour Disclosure 409-1 (b)	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX *ESG Reporting Guide* Requirements, Subject Areas, Aspects, General Disclosures and KPIs		Content Applicable to *GRI Standards*	Location of Disclosure
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	GRI 3: Material Topics Disclosure 3-3	5.1 Efficient Supply Management
KPI B5.1	Number of suppliers by geographical region.	GRI 2: General Disclosures Disclosure 2-6	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and now they are implemented and monitored.	GRI 3: Material Topics Disclosure 3-3 GRI 308: Supplier Environmental Assessment Disclosures 308-1 and 308-2 GRI 414: Supplier Social Assessment Disclosures 414-1 and 414-2	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain and how they are implemented and monitored.	GRI 414: Supplier Social Assessment Disclosures 414-1 and 414-2	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers and how they are implemented and monitored.	*GRI Standards* do not cover this indicator	

HKEX *ESG Reporting Guide* Requirements, Subject Areas, Aspects, General Disclosures and KPIs		Content Applicable to *GRI Standards*	Location of Disclosure
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	GRI 3: Material Topics Disclosure 3-3 GRI 416: Customer Health and Safety Disclosure 416-2 GRI 417: Marketing and Labelling Disclosures 417-2 and 417-3 GRI 418: Customer Privacy Disclosure 418-1	4.2 Building a Brand through Quality 4.3 Responsibility-driven Marketing
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	*GRI Standards* do not cover this indicator	4.2 Building a Brand through Quality
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	GRI 2: General Disclosures Disclosure 2-29 GRI 3: Material Topics Disclosure 3-3 GRI 418 Customer Privacy Disclosure 418-1	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	*GRI Standards* do not cover this indicator	4.1 Innovation-driven Development
KPI B6.4	Description of quality assurance processes and recall procedures.	*GRI Standards* do not cover this indicator	4.2 Building a Brand through Quality
KPI B6.5	Description of consumer data protection and privacy policies and how they are implemented and monitored.	GRI 3: Material Topics Disclosure 3-3	5.3 Data Privacy Protection

HKEX *ESG Reporting Guide* Requirements, Subject Areas, Aspects, General Disclosures and KPIs		Content Applicable to *GRI Standards*	Location of Disclosure
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering.	GRI 3: Material Topics Disclosure 3-3 GRI 205: Anti-corruption Disclosure 205-3	5.4 Integrity and Honesty
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcome of the cases.	GRI 205: Anti-corruption Disclosure 205-3	
KPI B7.2	Description of preventive measures and whistleblowing procedures and how they are implemented and monitored.	GRI 2: General Disclosures Disclosure 2-26 GRI 3: Material Topics Disclosure 3-3	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	*GRI Standards* do not cover this indicator	
COMMUNITY			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	GRI 3: Material Topics Disclosure 3-3	8.1 Fighting Against the Pandemic Together 8.2 Disaster Relief in Frontline 8.3 Supporting Rural Revitalisation 8.4 Community Welfare Activities
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture and sports).	GRI 203 Indirect Economic Impacts Disclosure 203-1 (a)	
KPI B8.2	Resources contributed (e.g. money or time) to the focus areas.	GRI 201: Economic Performance Disclosure 201-1 (a-ii)	

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report of the Group for the year ended 31 December 2022.

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 ("**CG Code**") as set out in Part 2 of Appendix 14 to the Listing Rules, and has also put in place certain recommended best practices as set out in the CG Code. Throughout the year ended 31 December 2022, 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 2022.

The Board has also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

THE BOARD

(1) Responsibilities

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

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

(2) Authorisation

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

(3) Board composition

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

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

The biographical information of the Directors are set out in the section headed "Directors & Senior Management Profiles" from page 95 to page 97 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 2022, 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**") and has subsequently signed appointment letters with the Company for a term of three years commencing on 19 May 2019. Mr. Dong Jinggui, Ms. Qian Jinghong and Mr. Shen Yu have renewed their service contracts with the Company for a term of three years commencing from 19 May 2022. They were all re-elected as executive Directors at the annual general meeting held on Friday, 12 June 2020. Mr. Shen Yu was re-elected as executive Director at the annual general meeting held on Friday, 17 June 2022 (the "**2022 AGM**").

Mr. Zhang Yiyin has entered into an appointment letter with the Company as a non-executive Director for a term of three years commencing from 29 April 2019. Mr. Zhang Yiyin has renewed his appointment letter with the Company for a term of three years commencing from 29 April 2022. Mr. Zhang Yiyin was re-elected as non-executive Director at the 2022 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 for a term of three years commencing on 19 May 2019. Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng have renewed their appointment letters with the Company for a term of no more than three years commencing from 19 May 2022. They were all re-elected as independent non-executive Directors at the annual general meetings held on Wednesday, 5 June 2019 and on Friday, 18 June 2021 (the "**2021 AGM**"), respectively.

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 has renewed his appointment letter with the Company for a term of three years commencing from 29 April 2022. Mr. Wong Lung Ming was re-elected as independent non-executive Director at the 2022 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 any time 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.

In accordance with the Articles of Association and the CG Code, Mr. Dong Jinggui, Ms. Qian Jinghong, Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng, will retire at the annual general meeting to be held on 16 June 2023 (the "**2023 AGM**"). Mr. Dong Jinggui and Ms. Qian Jinghong, being eligible, offer themselves for re-election at the 2023 AGM. Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng have decided not to offer themselves for election and will cease to act as the independent non-executive Directors with effect from the conclusion of the 2023 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 2022, 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 2022 is set out in the table below:

	Attendance/Number of Meetings				
Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**General Meeting**
Executive Directors					
Mr. Dong Jinggui *(Chairman)*	9/9	1/1	–	–	1/1
Ms. Qian Jinghong *(Chief executive officer)*	9/9	1/1	–	–	1/1
Mr. Shen Yu	9/9	–	–	–	1/1
Non-executive Director					
Mr. Zhang Yiyin	9/9	1/1	1/1	3/3	1/1
Independent Non-executive Directors					
Mr. Li Zongwei	9/9	1/1	–	3/3	1/1
Mr. Wu Biguang	9/9	1/1	1/1	3/3	1/1
Mr. Yao Naisheng	9/9	1/1	1/1	3/3	1/1
Mr. Wong Lung Ming	9/9	1/1	1/1	3/3	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.

(8) Mechanism regarding independent views to the Board

The Board has established a mechanism during the year that sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board to effectively exercise independent judgment to better safeguard Shareholders' interests. The mechanism includes but are not limited to the following aspects:

- The Board comprises a majority of non-executive Directors, with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, independent non-executive Directors will be appointed to Board committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

- The Nomination Committee shall assess the independence of independent non-executive Directors annually with reference to the nomination policy and the Listing Rules to ensure that they can continually exercise independent judgement.

- The Directors (including independent non-executive Directors), upon reasonable request, may seek independent professional advice at the Company's expense, to assist the performance of their duties.

- The Board shall assess and review the time contributed by every independent non-executive Director and their attendance to meetings of the Board and the Board committees so as to ensure that every independent non-executive Director has devoted sufficient time to the Board to discharge his/her responsibilities as a Director of the Company.

The Board will also review the implementation and effectiveness of such mechanism on an annual basis. The Board considers that such mechanism has been implemented properly and effectively during the Reporting Period.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the 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 the chairman and executive Director of the Group. He provides leadership and is responsible for the effective functioning of the Board. Ms. Qian Jinghong is the chief executive officer and executive Director of the Group. 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 chief executive in writing. Further, the roles of chairman and chief executive are separated and performed by different individuals. In this connection, the Board is of the opinion that the Company has complied with code provision C.2.1 set out in the CG Code as at 31 December 2022.

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

BOARD COMMITTEES

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

Nomination Committee

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

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

The Company recognises the benefits of board diversity. On setting the composition of the Board, the Company endeavours to ensure that the 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 Company values gender diversity. While the Board has a domination of male composition, the Company has one female Director, achieving a female director representation in the Board. The Board targets to maintain at least two female Directors no later than 31 December 2023 and has proposed to appoint two females as independent non-executive Directors in the upcoming 2023 AGM. The Board will have in total three female Directors if the Shareholders approve to appoint the proposed two female non-independent executive Directors. In striving to attain gender diversity, the Nomination Committee is delegated with authority to identify potential candidates through different means and channels. The Nomination Committee with reference to the nomination policy will ensure that gender diversity is taken into account when recruiting staff members of mid to senior level and that there will be a pipeline of potential successors to the Board to maintain gender diversity.

The Company is also committed to maintain gender diversity in the workforce. The Group recognises the importance of gender diversity and endeavours to take steps to promote gender diversity at all levels of the Group (including the Board). In order to further promote gender diversity within the Group, the Group endeavours to ensure that there is gender diversity during the recruitment of staff members at mid to senior level and provide training and long-term development opportunities to female staff members to promote gender diversity across the workforce. As at 31 December 2022, 68% of the Group's total workforce (including senior management) are males and 32% are females, which demonstrates that the Group has achieved gender diversity of employees. The Nomination Committee will continue to review and monitor the implementation of the Board Diversity Policy to ensure its continuing effectiveness in achieving a diverse workforce.

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 2022, 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 2022 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 terms of reference of the Remuneration Committee were amended and adopted by the Board on 2 December 2022 and have been published on the Company's website and the Stock Exchange's website.

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 2022 was within the range below, biographical details of the members of senior management of the Group are set out in the section headed "Directors & Senior Management Profiles – Senior Management" from page 98 to page 99 of this annual report:

Range of Remuneration	No. of Person
Nil to RMB1,000,000	–
RMB1,000,001 to RMB1,500,000	4
RMB1,500,001 to RMB2,000,000	1

For the year ended 31 December 2022, the Remuneration Committee held 1 meeting to (i) review and make recommendation to the Board on the remuneration policy; (ii) determine the remuneration packages of executive Directors and senior management and the terms of service contracts; and (iii) review and make recommendation to the Board in relation the grant of share awards to the employees of the Group on 20 January 2022.

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 2022.

For the year ended 31 December 2022, the Audit Committee held 3 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 2021;

(ii) the annual results announcement of the Group for the year ended 31 December 2021;

(iii) the annual report of the Company for the year ended 31 December 2021;

(iv) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022;

(v) the interim results announcement of the Group for the six months ended 30 June 2022; and

(vi) the interim report of the Company for the six months ended 30 June 2022.

(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 2022 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 thrice without the presence of the executive Directors.

The Company's annual results for the year ended 31 December 2022 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 2022 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 2022.

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 119 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 119 to page 120 in this annual report.

During the year, the remuneration paid or payable to the Company's external auditor in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	Fee paid/payable RMB'000
Audit services	**7,579**
Non-audit services (tax services)	**1,449**
Total	**9,028**

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 the business objectives of the Group. 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 the staff members who are responsible for the Group's accounting and financial reporting functions, and sufficient training provided to the 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** – The Board identifies current and emerging risks in the Group's business operations and categorize those risks into a reasonable profile based on timeframe, likelihood, intensity and impact severity. The Company has established 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** – The Board assesses and prioritizes risks so that the most important risks can be identified and dealt with. Based on both qualitative and quantitative analyses, the Board risks in terms of likelihood and impact severity.

- **Mitigate** – Based on the Board's assessment of (i) the probability and impact severity of the risks; and (ii) cost and benefit of the mitigation plans, the Board chooses 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** – The Board measures the Group's risk management system by determining if changes have been implemented and if changes are effective. In the event of any weakness in control, the Board follows up by adjusting the 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 2022, 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 is 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 and there are a number of formal communication channels which the Company uses to report and account to Shareholders and investors for the performance of the Company. For share registration matters, Shareholders may contact the Company's share registrar in Hong Kong. For other matters, the Board is committed to provide timely information through various means, including:

- publishing interim and annual reports;
- convening the annual general meeting and/or extraordinary general meetings to provide a forum for Shareholders to raise comments and exchange viewpoints with the Board. 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;
- providing updates of key information of the Group through the websites of the Stock Exchange and the Company; and
- maintaining a website for the Company (www.yadea.com.cn) where up-to-date information are available for public access, such as the Company's business operations, corporate governance practices and contact details.

To facilitate investors' understanding of the Company's business, the Company organises various networking events and site visits to the Company's headquarters, production bases, product exhibitions or displays, and distribution channels for investors. The Company also maintains dialogues with the investor community by participating in several investment forums and engaging in numerous exchanges with business analysts and fund management companies through various means.

The Board regularly reviews the existing channels of communication with Shareholders and investors to make sure that they remain effective and provides recommendations for improvements when needed. During the Reporting Period, the Board has reviewed the engagement and communication activities conducted and the results were satisfactory.

JOINT COMPANY SECRETARIES

Following the resignation of Ms. Wong Sau Ping as one of the joint company secretaries of the Company (the "**Joint Company Secretaries**") with effect from 17 June 2022, Mr. Leung Chi Kit was appointed to fill the causal vacancy. As at 31 December 2022, Mr. Shen Yu and Mr. Leung Chi Kit 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. Mr. Leung Chi Kit is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). His 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 2022. The biographical details of Mr. Shen Yu and Mr. Leung Chi Kit are set out on page 99 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

The Company has adopted the amended and restated memorandum and articles of association of the Company by special resolution passed at the 2022 AGM on 17 June 2022 and effective on the same date. Save as disclosed, there was no change in the memorandum and articles of association of the Company during the year ended 31 December 2022.

A new memorandum and articles of association is available on the websites of the Company and of the Stock Exchange.

INFORMATION DISCLOSURE

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

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

SUMMARY OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Company strived to fulfil their social responsibilities by proactively implementing practices and policies in relation to the ESG issues. Pursuant to the 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 15 to page 80 of this annual report.

DIRECTORS & SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. Dong Jinggui (董經貴), aged 54, 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 Technology, Jiangsu Yadea Technology Development Co., Ltd.* (江蘇雅迪科技發展有限公司) ("**Jiangsu Yadea**") and Jiangsu Yadea Intelligent Technology Co., Ltd.* (江蘇雅迪智能科技有限公司) and a supervisor of Tianjin Yadea Weiye Vehicle Co., Ltd.* (天津雅迪偉業車業有限公司) ("**Tianjin Weiye**"). Mr. Dong has approximately 21 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 51, is the co-founder of the Group and the vice chairman of the Board. Ms. Qian was appointed as the chief executive officer of the Company on 14 May 2019. Ms. Qian has been the Director since 17 July 2014 and was re-designated as the executive Director on 19 January 2015. Ms. Qian is currently a director of Wuxi Yadea Import and Export Co., Ltd.* (無錫雅迪進出口有限公司) and a supervisor of Yadea Technology and Tianjin Yadea Industry Co., Ltd.* (天津雅迪實業有限公司) ("**Tianjin Industry**"). Ms. Qian has approximately 21 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 48, 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.

* For identification purposes only

Non-Executive Director

Mr. Zhang Yiyin (張禕胤), aged 40, 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 (吳効光), aged 66, 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 50, 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. (上海賽領輝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 51, 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 65, 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 46, 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 was an executive Director from December 2014 to November 2019.

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 45, joined the Group in February 1999 as an officer. Mr. Wang has been the president of the Group since 2022, and is responsible for the overall operation and management of the Group's domestic business. He was the vice president of the Group since April 2017 and was responsible for the management of sales department of the Group, 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 Technology Group Sales Co., Ltd.* (雅迪科技集團銷售有限公司) ("**Yadea Sales**") since October 2014. 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 40, joined the Group in May 2000 as an officer. Mr. Zhou has been the president of the Group since October 2022, and is responsible for the overall operation and management of sales department of the Group. He was the vice president of the Group and was responsible for the work at the Group's research and development centre since October 2020, the general manager of Yadea Sales since April 2016, the general manager of the Group's Wuxi facility since October 2014, and the general manager of Guangdong Yadea Motorcycle Co., Ltd.* (廣東雅迪機車有限公司) in August 2010.

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.

* For identification purposes only

Mr. Zhou Chao (周超), aged 43, joined the Group in May 2007. Mr. Zhou has been the president of the Group since 2022, and is responsible for the overall operation and management of the Group's overseas business. He was the vice president of the Group since March 2018 and 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 49, has been the general manager of the Group's Wuxi production base since April 2022. 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 the research and development center for electric scooters between July 2013 and October 2014. He was the technical supervisor of the Group since October 2014 and responsible for the operation of research and development centre of the Group.

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.

Mr. Leung Chi Kit (梁志傑) was appointed as the Joint Company Secretary on 17 June 2022. Mr. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider), has more than 11 years of experience in company secretarial field. Mr. Leung is also an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Mr. Leung 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 2022.

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 headquarters 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, batteries 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. The Group strictly complies with each of the local regulations in the regions where the Group conducts production and operation and properly implement various environmental policies having regard to the 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 15 to page 80 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, the Company's establishment and operation are subject to relevant laws and regulations in the Cayman Islands, the PRC and Hong Kong.

Between January and May 2022, the Company's subsidiary entered into various sale and purchase agreements with Zhejiang Narada Power and its subsidiaries. Once the Board realised that the transactions contemplated under these agreements constituted continuing connected transactions under Chapter 14A of the Listing Rules, the Company immediately published an announcement on 19 August 2022 to disclose details of these continuing connected transactions, which are also found in the section headed "Connected Transactions" on pages 104 to 106 of this annual report. The Company has also taken follow-up actions to ensure strict ongoing compliance with the Listing Rules, including: (i) establishing a connected transaction committee; (ii) reminding the Directors, senior management and relevant personnel of the Group of the Company's connected transaction internal policy and connected persons; (iii) arranging additional trainings regarding the Listing Rules and applicable laws and regulations for the Directors and senior management of the Group; and (iv) consulting legal advisers and the Stock Exchange (where necessary) in a timely manner prior to entering into new connected transactions.

Save as disclosed above, for the year ended 31 December 2022 and up to the date of this annual report, the Company complied with relevant laws and regulations in the Cayman Islands, the PRC and Hong Kong.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group respects its people. The Group offers reasonable remunerations to 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 the Group's 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 15 to page 80 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 2022 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 2022 and for the preceding four financial years are set out on pages 5 to 6 of this annual report.

RESERVES

As at 31 December 2022, distributable reserves of the Group amounted to RMB6,763.8 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 125 of this annual report.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of 40.0 HK cents per ordinary Share for the year ended 31 December 2022 (the "**Proposed Final Dividend**") (for the year ended 31 December 2021: 28.0 HK cents). The Proposed Final Dividend is subject to the approval of the Shareholders at the forthcoming 2023 AGM and the Proposed Final Dividend will be paid on Monday, 17 July 2023 to Shareholders whose names appear on the register of members of the Company on Friday, 30 June 2023.

As at 31 December 2022, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

ANNUAL GENERAL MEETING

The 2023 AGM will be held on Friday, 16 June 2023. Notice of the 2023 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 2023 AGM, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023, both dates inclusive, during which time no transfer of Shares will be registered. To qualify for attending and voting at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 12 June 2023 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 Monday, 26 June 2023 to Friday, 30 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 23 June 2023 for registration of the relevant transfer.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2022 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 ended 31 December 2022 are set out in note 35 to the consolidated financial statements.

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, batteries and related accessories. Over the course of 20 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 4,041 distributors as well as their sub-distributors with over 32,000 points of sales as at 31 December 2022. In respect of international distribution, Yadea has established distribution channels in over 80 countries across Europe, South East Asia, South America, and Central America.

A review and analysis of the Group's business, results and performance during the year ended 31 December 2022, 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 14 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

The Group relies on the distribution network to sell its products. There can be no assurance that the Group will be able to maintain its existing relationships with distributors or to develop relationships with replacement distributors on favorable terms. There can also be no assurance that the Group's existing distributors will be able to maintain past levels of sales or expand their sales.

Pricing and bargaining power with suppliers

The Group may be forced to adjust the prices of its products in accordance with market conditions, the Group cannot assure you that it will not experience any material and adverse effect on its financial results if the Group lowers the prices of its products in future. In addition, the Group also depends significantly on its bargaining power with its suppliers, slight increases in the cost of the Group's raw materials have a significant impact on its financial results.

Inadequate intellectual property protection

The Group relies heavily on its brand, and its continued success and growth depend upon its ability to protect and promote its brand. Counterfeit products and imitations of the Group's brand are potential threats to the strength of its brand, which could reduce demand for the Group's products. The Group believes that its current intellectual property rights, and those for which the Group has pending applications, provide protection to its business and are all the rights necessary for the Group's operations. However, there can be no assurance that the Group's intellectual property applications will be approved, that any of its intellectual property rights will adequately protect intellectual property of the Group, that such intellectual property rights will not be challenged by third parties or found to be invalid or unenforceable or that the Group's 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

The Group currently sells its products in over 80 countries. The Group's 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 the Group's course of operation, it may face currency risk, for details, please refer to the sub-section headed "Liquidity and Financial Resources – Currency risk" under the "Management Discussion and Analysis" on page 13 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 4 January 2022, the 2021 Acquisition was completed. For details of the 2021 Acquisition, please refer to the section headed "Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies" on page 13 of this annual report.

On 19 August 2022, Yadea Technology, as the purchaser, and Zhejiang Narada Power, as the vendor, entered into an agreement in relation to the acquisition of the remaining 30% equity interest in Huayu for a consideration of RMB133.5 million and the transaction was closed on the same date. For details of this transaction, please refer to the section headed "Connected Transactions – the 2022 Acquisition" on page 104 of this annual report.

Save as disclosed above, there were no important events during the year ended 31 December 2022. For important events after the Reporting Period and up to the date of this annual report, please refer to the section headed "Events After the Reporting Period" on page 14 of this annual report.

FUTURE DEVELOPMENT

2022 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. Yadea has delivered another year of record for its sales, revenue and profit in the year of 2022 and continued to solidify its leading position in the electric two-wheeled vehicles market in the PRC. 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 its 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, revenue increased by approximately 15.2% to approximately RMB31,059.4 million as compared with the year ended 31 December 2021. The Group's gross profit increased by approximately 36.9% to approximately RMB5,614.0 million as compared with the year ended 31 December 2021. Profit attributable to the owners of the Company increased by approximately 57.8% to approximately RMB2,161.1 million as compared with the year ended 31 December 2021.

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 from Listing**").

There were no changes of business plan from that disclosed in the prospectus of the Company dated 9 May 2016 (the "**Prospectus**") and the Net Proceeds from Listing have been fully utilised.

As of 31 December 2022, an analysis of the utilisation of Net Proceeds from Listing is as follows:

	Use of net proceeds as disclosed in the Prospectus (RMB million)	Actual use of net proceeds up to 31 December 2022 (RMB million)
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**
Business expansion, including (i) purchases of new automated production equipment and production expansion; and (ii) potential mergers and acquisitions;	**272.2**	**272.2**
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**
General working capital	**90.7**	**90.7**
Total	**907.3**	**907.3**

USE OF PROCEEDS FROM PLACING

On 31 May 2022, the Company issued 68,800,000 new Shares (the "**Placing Share(s)**") at a price of HK$12.58 per Placing Share (the "**Placing Price**") by placement of the Placing Shares to not less than six independent professional, institutional and/or other placees procured by the placing agents pursuant to the placing agreement dated 24 May 2022 (the "**Placing Agreement**") entered into between the Company and the placing agents (the "**Placing**"). The Placing Shares were issued under the general mandate granted by the Shareholders to the Directors pursuant to the resolution of the Shareholders passed at the 2021 AGM. Based on the par value of US$0.00001 per Share, the aggregate nominal value of the Placing Shares is US$688. The Placing Price represents a discount of approximately 10.0% to the closing price of HK$13.98 per Share as quoted on the Stock Exchange on 23 May 2022, being the last full trading day immediately prior to the execution of the Placing Agreement. The net proceeds from the Placing (after deducting all related costs, commission and expenses by the Company in connection with the Placing) amounted to approximately HK$857.6 million (equivalent to approximately RMB727.8 million) (the "**Net Proceeds from Placing**"). The net Placing Price is approximately HK$12.46 per Share.

The Net Proceeds from Placing were intended to be applied for expansion of the Group's overseas business through building overseas research and development centers, manufacturing facilities, distribution networks, as well as potential mergers and acquisitions. For further details, please refer to the announcements of the Company dated 24 May 2022 and 31 May 2022, respectively.

There was no utilized proceeds as at 31 December 2022. There is no material change to the intended use of proceeds.

CONNECTED TRANSACTIONS

During the Reporting Period, the Group has entered certain connected transaction or continuing connected transactions under Chapter 14A of the Listing Rules. The particulars of such transaction are set out in this annual report in accordance with Chapter 14A of the Listing Rules:

2022 Acquisition

On 19 August 2022, Yadea Technology pursuant to the 2022 Acquisition Agreement acquired the remaining 30% equity interest in Huayu from Zhejiang Narada Power for a total consideration of RMB133.5 million. For further details, please refer to the section headed "Significant Investment, Material Acquisitions and Disposals of Subsidiaries and Associated Companies".

Upon entering into the 2022 Acquisition Agreement, Zhejiang Narada Power, was a substantial shareholder of Huayu, a non-wholly owned subsidiary of the Company, and therefore a connected person of the Company at the subsidiary level. Since Zhejiang Narada Power is a connected person of the Company, the 2022 Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the 2022 Acquisition (on a standalone basis) exceed 0.1% but are less than 5%, the 2022 Acquisition is subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. It does not constitute a disclosable transaction under Chapter 14 of the Listing Rules.

On the same date, all conditions precedent stipulated the 2022 Acquisition Agreement were satisfied and the 2022 Acquisition was completed.

For details of the of the 2022 Acquisition and the 2022 Acquisition Agreement, please refer to the announcement of the Company dated 19 August 2022.

Continuing connected transactions of Huayu

Since Zhejiang Narada Power is a connected person to the Company, its two subsidiaries, namely Anhui Huabo Renewable Resources Of Technology Co., Ltd.* (安徽華鉑再生資源科技有限公司) ("**Anhui Huabo**") and Sichuan Nandu Guojian New Energy Co., Ltd.* (四川南都國鑑新能源股份有限公司) ("**Sichuan Nandu**"), were also connected persons of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules.

* For identification purposes only

1. **Anhui Huabo Sale Agreement**

   On 1 January 2022, Huayu and Anhui Huabo entered into a sale agreement ("**Anhui Huabo Sale Agreement**") pursuant to which Huayu agreed to sell, and Anhui Huabo agreed to purchase, lead residue from time to time during the term and Anhui Huabo would specify the quantities of lead residue to be purchased.

   The Anhui Huabo Sale Agreement commenced on 1 January 2022 and expired on 31 December 2022.

   The terms of all transactions were based on the prevailing market prices and the prices of similar nature that were provided by Huayu to independent third parties, negotiated on an arm's length basis and shall be on normal commercial terms and fair and reasonable. The sale prices of lead residue were determined based on pricing formulae taking reference from the weekly average price of lead (1# lead) quoted on the website of Shanghai Metals Market (www.smm.cn) during the settlement period.

   The annual cap for the transactions contemplated under the Anhui Huabo Sale Agreement was RMB200,000,000 and the actual transaction amount under the Anhui Huabo Sale Agreement during the period from 4 January 2022 to 19 August 2022 was RMB95,453,078.

2. **Anhui Huabo Purchase Agreement**

   On 1 January 2022, Huayu and Anhui Huabo entered into a purchase agreement ("**Anhui Huabo Purchase Agreement**") pursuant to which Huayu agreed to purchase, and Anhui Huabo agreed to sell, rare earth alloys, negative plate alloys, lead-tin alloys and electrolytic lead from time to time during the term, and Huayu would specify the quantities of materials to be purchased.

   The Anhui Huabo Purchase Agreement commenced on 1 January 2022 and expired on 31 December 2022.

   The terms of all transactions were based on the prevailing market prices and the prices of similar nature that were provided by Anhui Huabo to independent third parties, negotiated on an arm's length basis and shall be on normal commercial terms and fair and reasonable. The purchase prices of rare earth alloys, negative plate alloys, lead-tin alloys and electrolytic lead were determined based on pricing formulae taking reference from average price of lead quoted on the website of Shanghai Metals Market (www.smm.cn) during the settlement period.

   The annual cap for the transactions contemplated under the Anhui Huabo Purchase Agreement was RMB1,850,000,000 and the actual transaction amount under the Anhui Huabo Purchase Agreement during the period from 4 January 2022 to 19 August 2022 was RMB 1,050,294,605.

3. **Sichuan Nandu Processing Agreement**

On 30 April 2022, Huayu and Sichuan Nandu entered into a process agreement (the "**Sichuan Nandu Processing Agreement**") pursuant to which Sichuan Nandu agreed to provide processing services for battery products to Huayu.

The Sichuan Nandu Processing Agreement commenced on 1 January 2022 and expired on 31 December 2022.

The processing fee was based on the prevailing market prices and the prices of similar nature that were provided by Sichuan Nandu to independent third parties, negotiated on an arm's length basis and shall be on normal commercial terms and fair and reasonable. The unit prices of the processing of battery products were determined based on the prevailing market prices for battery products processing services of similar nature that are to be provided by Sichuan Nandu to independent third parties, and the expected costs involved to process the battery products. The unit price was determined based on the pricing formula taking reference from weight of single pole plate and weekly average price of lead (1# lead) quoted on the website of Shanghai Metals Market (www.smm.cn) during the settlement period.

The annual cap for the transactions contemplated under the Sichuan Nandu Processing Agreement was RMB550,000,000 and the actual transaction amount under the Sichuan Nandu Processing Agreement during the period from 30 April 2022 to 19 August 2022 was RMB252,941,646.

The transactions contemplated under the Anhui Huabo Sale Agreement, Anhui Huabo Purchase Agreement and Sichuan Nandu Processing Agreement constitute non-fully exempt continuing connected transactions which are exempt from the circular and independent Shareholders' approval requirements but subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Cessation of continuing connected transactions

Following the completion of the 2022 Acquisition on 19 August 2022, Huayu became an indirect wholly-owned subsidiary of the Company; Zhejiang Narada Power, Anhui Huabo and Sichuan Nandu ceased to be connected persons of the Company. Consequently, each of the transactions contemplated under Anhui Huabo Sale Agreement, the Anhui Huabo Purchase Agreement and the Sichuan Nandu Processing Agreement ceased to be a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

For details of the continuing connected transactions of Huayu, please refer to the announcement of the Company dated 19 August 2022.

Confirmations

The Board confirmed that (i) the execution and enforcement of the implementation agreements under the continuing connected transactions set out above has followed the pricing policies of such continuing connected transactions; and (ii) the external auditor has been engaged to report on the continuing connected transactions, and a letter has been provided to confirm nothing has come to their attention under Rule 14A.56 of the Listing Rules.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that such transactions were:

(i) entered into in the ordinary and usual course of business of the Group;

(ii) conducted either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2022 are set out in note 42 to the consolidated financial statements.

Save as disclosed above in the section headed "Connected Transactions" of this annual report, the related party transactions set out in note 42 to the consolidated financial statements did not fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules (as the case may be), or are connected transaction or continuing connected transactions that are fully exempt from the requirements under Chapter 14A of the Listing Rules.

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

On 31 May 2022, the Company completed the Placing of 68,800,000 Placing Shares at a price of HK$12.58 per Placing Share. For further details, please refer to the announcements of the Company dated 24 May 2022 and 31 May 2022 and the sub-section headed "Use of Proceeds – Use of Net Proceeds from Placing" on page 104 of this report.

Save as disclosed above, during the year ended 31 December 2022, 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" from page 12 to page 13 of 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 2022.

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 2022.

DIRECTORS

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

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

In accordance with the Articles of Association and the CG Code, Mr. Dong Jinggui, Ms. Qian Jinghong, Mr. Li Zongwei, Mr. Yao Naisheng, and Mr. Wu Biguang will retire at the 2023 AGM to be held on Friday, 16 June 2023. Except Mr. Li Zongwei, Mr. Yao Naisheng and Mr. Wu Biguang, other retiring directors (namely Mr. Dong Jinggui and Ms. Qian Jinghong), being eligible, offer themselves for re-election as the Directors.

None of the Directors proposed for re-election at the forthcoming 2023 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 2022.

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 2022.

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 2022, the interests and short positions of the Directors and chief executive 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	**1,910,996,943 (L)**	**62.37%**
Ms. Qian Jinghong (Notes 2 & 3)	Interest of controlled corporation/ interest of concert parties	**1,910,996,943 (L)**	**62.37%**

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 511,598,859 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 3,063,800,000 Shares in issue as at 31 December 2022.

(ii) Interests in associated corporations

Name of Director	Nature of associated corporation	Number of issued Shares	Approximate number of percentage of shareholding
Mr. Dong Jinggui (Notes 1 & 3)	Dai Wei	100	100.00%
Ms. Qian Jinghong (Notes 2 & 3)	Fang Yuan	100	100.00%

Save as disclosed above, as at 31 December 2022, 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 2022 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 2022, 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 (Note 4)	Approximate number of percentage of shareholding (Note 5)
Dai Wei (Notes 1 & 3)	Beneficial interest/interest of concert parties	1,910,996,943 (L)	62.37%
Fang Yuan (Notes 2 & 3)	Beneficial interest/interest of concert parties	1,910,996,943 (L)	62.37%

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 3,063,800,000 Shares in issue as at 31 December 2022.

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 the 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 the 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 9.79% 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 the 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 the 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 the 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 2022, no option has been granted or agreed to be granted under the Share Option Scheme. A total of 300,000,000 options is available for grant under the Share Option Scheme mandate as of 1 January 2022 and 31 December 2022.

On 17 January 2023, a total of 33,550,000 share options were granted by the Company to 263 employees to subscribe for an aggregate of 33,550,000 Shares. For further details of this grant, please refer to the announcement of the Company dated 17 January 2023 and the section headed "Events after the Reporting Period" above.

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 3 years.

A resolution will be proposed to the Shareholders to adopt a new share option scheme in compliance with the new Chapter 17 of the Listing Rules that came into effect on 1 January 2023.

SHARE AWARD SCHEMES

All of the existing share award schemes of the Company are not share award schemes under the new Chapter 17 of the Listing Rules that came into effect on 1 January 2023. The Company will comply with the new Chapter 17 of the Listing Rules in accordance with the transitional arrangements for existing share 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 (the "**Selected Participants**") and determine the amount that shall be applied for the purchase and/or allocation of awarded Shares in respect of the Selected Participants. In addition, the Board may in its absolute discretion, impose any conditions as it deems appropriate with respect to the entitlement of those Selected Participants to the awarded shares. 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 5 years and 8 months.

The Board 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 9.79% 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.

Subject to the rules of the Second and Third Share Award Schemes, the Board may from time to time at its absolute discretion select any employee, officer, agent, consultant, and director of the Group to participate in the Second and Third Share Award Schemes. In determining who shall be approved for participation, the Board shall take into consideration matters including, but without limitation, the present and expected contribution of the eligible individuals.

The Board may from time to time determine the vesting criteria and conditions or periods for the awarded Shares to be vested.

Unless early terminated by the Board, the Second and Third Share Award Schemes shall be valid and effective for a term of 3 years commencing on the Second Adoption Date and the Board may in its absolute discretion extend the term by at most 4 years. On 5 June 2022, the Board decided to extend the terms of the Second and Third Share Award Schemes for 2 years. Subject to the Board's determination to extend the terms of the Second and Third Share Award Schemes for 2 years, the remaining life of the Second and Third Share Award Schemes is approximately 1 year and 2 months.

The Board 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, being 306,380,000 Shares, representing approximately 10% of the Shares in issue as at the date of this annual report.

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.

Selected Employees shall be entitled to receive the awarded Shares in accordance with the vesting schedule (which is determined and may be adjusted by the Board in its sole discretion) upon when the Selected Employee has satisfied all vesting conditions specified by the Board at the time of making the award. The Board is entitled to impose from time to time additional vesting conditions, as it deems appropriate in its sole and absolute discretion with respect to the entitlement of the Selected Employees to the awarded Shares. In this connection, the Board may (but is not obliged to) take into consideration matters including the business prospects and the general financial condition of the Group as well as the working conditions and performance of the Selected Employees. The Company may also impose lock up conditions in relation to the Shares awarded to the Selected Employee as it deems appropriate.

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 6 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 4.90% 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 2022, the Company has not purchased any Shares under any of the share award schemes.

The summary below sets out the details of the movements of the awarded Shares for the year ended 31 December 2022 pursuant to the share award schemes:

Grantee	Date of grant of award	Unvested awards as at 1 January 2022	Awards granted during the year ended 31 December 2022	Vesting period	Awards vested during the year ended 31 December 2022	Purchase price	Awards cancelled during the year ended 31 December 2022	Awards lapsed during the year ended 31 December 2022	Awards forfeited during the year ended 31 December 2022	Unvested awards as at 31 December 2022	Fair value of awards at the date of grant (RMB)
Top 5 highest paid individuals (excluding Directors and senior management)											
	9 January 2020	1,890,000	–	2020-2022	–	0.89	N/A	N/A	(810,000)	1,080,000	1.13
Other employees											
	9 January 2020	50,050,000	–	2020-2022	(19,362,000) (Note 2)	0.89	N/A	N/A	(3,888,000)	26,800,000	1.13
	20 January 2022	–	50,660,000 (Note 1)	2022-2026	(1,000,000) (Note 3)	4.69	N/A	N/A	(3,310,000)	46,350,000	4.94

Notes:

(1) The closing price of the Shares immediately before the date on which the awards were granted was HK$12.64 per Share.

(2) The weighted average closing price of the Shares immediately before the dates on which the awards were vested was HK$15.91 per Share.

(3) The weighted average closing price of the Shares immediately before the dates on which the awards were vested was HK$11.52 per Share.

As at 1 January 2022, the number of awards available for grant under the share award schemes was 129,562,539, of which 23,800,000 was under the First Share Award Scheme, 30,086,539 was under the Second and Third Share Award Schemes, and 75,676,000 was under the Fourth Share Award Scheme.

As at 31 December 2022, the number of awards available for grant under the share award schemes was 109,200,539, of which 16,012,000 was under the First Share Award Scheme, 17,512,539 was under the Second and Third Share Award Schemes, and 75,676,000 was under the Fourth Share Award Scheme.

As at 31 December 2022, the number of Shares that may be issued in respect of awards granted under all schemes during the financial year divided by the weighted average number of Shares in issue for the year is 1.73%.

For details, please refer to note 35 to the consolidated financial statements of this annual report.

A resolution will be proposed to the Shareholders to adopt a new share award scheme in compliance with the new Chapter 17 of the Listing Rules that came into effect on 1 January 2023.

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 2022, 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 29.2% and the largest supplier accounted for approximately 9.2% of the Group's total purchases for the year ended 31 December 2022.

At no time during the year ended 31 December 2022 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 2022 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 2023 AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming 2023 AGM to re-appoint PricewaterhouseCoopers as the external auditor of the Company.

On behalf of the Board
Dong Jinggui
Chairman

27 March 2023

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Yadea Group Holdings Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 121 to 192, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 2022, 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.

The key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to notes 2.7 and 5 to the consolidated financial statements. The Group recognised revenue of RMB31,059 million from the sales of electric vehicles and related accessories to its customers, mainly distributors, during the year ended 31 December 2022. Significant effort was spent on auditing the revenue recognized by the Group because of the large number of the distributors and volume of transactions, as well as the large volume of considerations made to the distributors in the form of discounts or refunds under customer contracts with distributors, which is generally recorded as a reduction of revenue. Therefore, we identified revenue recognition as a key audit matter.	Our procedures to address this key audit matter included: • Understanding, evaluating and testing key internal controls over revenue recognition; • Evaluating the appropriateness of accounting policies of revenue recognition by examining the key terms of customer contracts on a sample basis and testing revenue transactions on a sample basis to the supporting documents, including the underlying goods receipt notes signed by customers and invoices; • Testing the basis of calculation of the considerations made to distributors by checking the amounts or percentage of discounts or refunds to the respective customer contracts and examining the relevant invoices on a sample basis; • Confirming the revenue for the year ended 31 December 2022 and trade receivables as of 31 December 2022 with customers on a sample basis; • Performing revenue cut-off test, including examining the goods receipt notes signed by customers right before and after the balance sheet date. Based on the procedures performed, we found the revenue recorded to be supportable by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022
(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5	**31,059,443**	26,967,532
Cost of sales	7	**(25,445,432)**	(22,866,048)
Gross profit		**5,614,011**	4,101,484
Selling and distribution expenses	7	**(1,358,176)**	(1,282,933)
Administrative expenses	7	**(896,135)**	(817,889)
Research and development costs	7	**(1,105,845)**	(843,685)
Other income and gains – net	6	**453,736**	380,320
Operating profit		**2,707,591**	1,537,297
Finance costs	9	**(59,399)**	(15,284)
Share of losses of investments accounted for using the equity method	17	**(32,925)**	(15,028)
Profit before income tax		**2,615,267**	1,506,985
Income tax expense	11	**(432,267)**	(140,342)
Profit for the year		**2,183,000**	1,366,643
Profit for the year attributable to:			
Owners of the Company		**2,161,094**	1,369,495
Non-controlling interests		**21,906**	(2,852)
		2,183,000	1,366,643
Earnings per share			
– Basic (RMB cents per share)	12	**74.0**	47.8
– Diluted (RMB cents per share)	12	**72.9**	47.0

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(All amounts in RMB unless otherwise stated)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit for the year	**2,183,000**	1,366,643
Other comprehensive income		
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	**(19,232)**	–
Exchange difference on translation from functional currency to presentation currency	**66,555**	(6,503)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**5,625**	(4,376)
Other comprehensive income for the year, net of income tax	**52,948**	(10,879)
Total comprehensive income for the year	**2,235,948**	1,355,764
Total comprehensive income attributable to:		
Owners of the Company	**2,214,042**	1,358,616
Non-controlling interests	**21,906**	(2,852)
	2,235,948	1,355,764

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

(All amounts in RMB unless otherwise stated)

		As at 31 December	
	Note	**2022 RMB'000**	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**3,291,228**	2,211,613
Right-of-use assets	14	**936,464**	927,738
Intangible assets	15	**997,042**	47,620
Investments accounted for using the equity method	17	**99,622**	63,048
Equity investments at fair value through other comprehensive income	18	**2,419**	19,993
Prepayments, deposits and other receivables	22	**1,072,295**	893,384
Prepayment for acquisition of property, plant and equipment and right-of-use assets	22	**54,020**	42,582
Deferred income tax assets	23	**62,141**	88,444
Other long-term asset	24	**42,440**	98,904
Pledged bank deposits	26	**800,000**	–
Term deposits	27	**200,000**	–
Total non-current assets		**7,557,671**	4,393,326
Current assets			
Inventories	20	**1,458,049**	1,194,213
Trade receivables	19	**388,315**	392,607
Prepayments, deposits and other receivables	22	**667,666**	403,430
Financial assets at fair value through profit or loss	21	**4,208,546**	3,870,339
Debt instruments at fair value through other comprehensive income	25	**20,093**	87,756
Pledged bank deposits	26	**3,869,724**	2,993,010
Cash and cash equivalents	28	**6,782,622**	6,073,112
Total current assets		**17,395,015**	15,014,467
Total assets		**24,952,686**	19,407,793

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	23	**64,869**	39,122
Lease liabilities	14	**82,166**	87,132
Deferred income	29	**83,202**	42,853
Other non-current liabilities	30	**500,187**	398,410
Other payables and accruals	32	**59,282**	–
Total non-current liabilities		**789,706**	567,517
Current liabilities			
Trade and bills payables	31	**13,592,878**	12,758,156
Other payables and accruals	32	**2,261,424**	1,350,294
Contract liabilities	33	**225,513**	134,222
Borrowings	34	**1,281,679**	–
Lease liabilities	14	**47,087**	40,429
Income tax liabilities		**111,805**	44,776
Total current liabilities		**17,520,386**	14,327,877
Total liabilities		**18,310,092**	14,895,394
Net Assets		**6,642,594**	4,512,399
EQUITY			
Share capital	35	**192**	187
Share premium and reserves		**6,642,180**	4,499,989
Equity attributable to owners of the Company		**6,642,372**	4,500,176
Non-controlling interests		**222**	12,223
Total Equity		**6,642,594**	4,512,399

The financial statements on pages 121 to 192 were approved for issue by the Board on 27 March 2023 and were signed on its behalf.

DIRECTOR	*DIRECTOR*
Dong Jinggui	**Qian Jinghong**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(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	Other reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
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 36)	–	–	(397,626)	–	–	–	–	–	–	(55,887)	(453,513)	–	(453,513)
Employee share schemes – value of employee services (Note 35(d))	–	–	–	–	–	–	–	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 35)	–	–	–	–	–	(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
At 1 January 2022	**187**	**(121,024)**	**–**	**198,093**	**4,574**	**(295,183)**	**(2,128)**	**83,838**	**–**	**4,631,819**	**4,500,176**	**12,223**	**4,512,399**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,161,094**	**2,161,094**	**21,906**	**2,183,000**
Other comprehensive income for the year, net of income tax	**–**	**–**	**–**	**–**	**(19,232)**	**–**	**72,180**	**–**	**–**	**–**	**52,948**	**–**	**52,948**
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**(19,232)**	**–**	**72,180**	**–**	**–**	**2,161,094**	**2,214,042**	**21,906**	**2,235,948**
Dividends provided for or paid (Note 36)	**–**	**–**	**(705,304)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(705,304)**	**–**	**(705,304)**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,233)**	**(1,233)**
Non-controlling interest arising on acquisition of subsidiaries (Note 40)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(159,582)**	**(159,582)**
Transactions with non-controlling interests (Note 41)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(266,408)**	**–**	**(266,408)**	**126,908**	**(139,500)**
Issue of shares (Note 35(a))	**5**	**–**	**727,837**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**727,842**	**–**	**727,842**
Employee share schemes – value of employee services (Note 35(d))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**130,060**	**22,812**	**–**	**152,872**	**–**	**152,872**
Restricted share units vested	**–**	**–**	**23,304**	**–**	**–**	**23,315**	**–**	**(27,467)**	**–**	**–**	**19,152**	**–**	**19,152**
Profit appropriations to statutory reserves	**–**	**–**	**–**	**29,127**	**–**	**–**	**–**	**–**	**–**	**(29,127)**	**–**	**–**	**–**
At 31 December 2022	**192**	**(121,024)**	**45,837**	**227,220**	**(14,658)**	**(271,868)**	**70,052**	**186,431**	**(243,596)**	**6,763,786**	**6,642,372**	**222**	**6,642,594**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	37	**3,375,012**	3,962,315
Income tax paid		**(296,583)**	(269,307)
Net cash generated from operating activities		**3,078,429**	3,693,008
Cash flows from investing activities			
Interest received from bank deposits		**139,147**	66,114
Purchases of property, plant and equipment and other-long term asset		**(647,851)**	(954,690)
Purchases of land use rights		**–**	(434,772)
Proceeds from disposal of property, plant and equipment and intangible assets		**76,533**	5,776
Purchase of intangible assets		**(17,006)**	(19,213)
Proceeds from sale of financial assets at fair value through profit or loss		**65,247,419**	56,262,143
Payment for financial assets at fair value through profit or loss		**(65,695,708)**	(55,887,945)
Payment for term deposits and pledged bank deposits		**(1,202,000)**	(2,300,000)
Proceeds from maturity of term deposits		**402,000**	2,400,000
Purchase of investments accounted for using the equity method	17	**(66,000)**	(66,000)
Loans to third parties and a related party	22	**(8,000)**	(2,100)
Refund of prepayment for a financial asset at fair value through profit or loss	3.3(c)	**–**	3,001
Repayment of loans by third parties and a related party	22	**–**	19,052
Payment for acquisition of subsidiaries, net of cash acquired	40	**(301,968)**	–
Proceeds from disposal of one subsidiary, net of cash disposed		**3,099**	39,300
Proceeds from government grants relating to the purchase of property, plant and equipment		**14,341**	45,013
Net cash used in investing activities		**(2,055,994)**	(824,321)
Cash flows from financing activities			
Proceeds from borrowings		**2,222,145**	300,739
Repayment of borrowings		**(2,415,010)**	–
Interest paid		**(35,555)**	–
Proceeds from issues of shares, net of shares issue costs	35(a)	**727,842**	–
Proceeds from restricted share units vesting		**15,952**	18,146
Transaction with non-controlling interests	41	**(139,500)**	1,731
Dividends paid to the Company's owners	36	**(705,304)**	(453,513)
Repurchase of shares	35(b)	**–**	(33,688)
Repayments of lease liabilities	37(b)	**(49,959)**	(40,860)
Net cash used in financing activities		**(379,389)**	(207,445)
Net increase in cash and cash equivalents		**643,046**	2,661,242
Cash and cash equivalents at beginning of the year		**6,073,112**	3,420,934
Effect of foreign exchange rate changes		**66,464**	(9,064)
Cash and cash equivalents at end of the year		**6,782,622**	6,073,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

(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, batteries 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 2022:

– Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16

– Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37

– Annual Improvements to HKFRS Standards 2018-2020, and

– Reference to the Conceptual Framework – Amendments to HKFRS 3.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(d) New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group are as follows:

Standards	Effective for annual periods beginning on or after
IFRS 17, "Insurance Contracts"	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, "Disclosure of Accounting Policies"	1 January 2023
Amendments to IAS 1, "Classification of Liabilities as Current and Non-current"	1 January 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	1 January 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax	1 January 2023
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined

The directors have performed assessment on the new standards and amendments, and has concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements when they become effective.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(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.

2.3 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

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.

2.4 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

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 ("PL") 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Revenue recognition (Continued)

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.

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. 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 2021 and 2022.

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

(a) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ('CGUs'), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is below operating segment level.

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs or group of CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of CGUs or group of CGUs include the carrying amount of goodwill relating to the CGUs or group of CGUs disposed of.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Intangible assets (Continued)

(b) 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 amortization and impairment losses, if any. Softwares and patents acquired in business combination are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and impairment losses, if any. 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	3-10 years

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 35). 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 arrangement that the Group's suppliers are responsible directly for all replacement and repairment of damaged products that are with warranty claimed by the distributors, no provisions are recognized for the warranties.

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	
	31/12/2022	31/12/2021
	RMB'000	RMB'000
USD		
– Cash and cash equivalents	**953,633**	451,813
– Trade receivables	**67,122**	22,040
	1,020,755	473,853

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

	Impact on profit after tax	
	2022	2021
	Increase/ (decrease)	Increase/ (decrease)
	RMB'000	RMB'000
RMB – USD		
Appreciation of RMB by 5%	**(42,338)**	(19,236)
Depreciation of RMB by 5%	**42,338**	19,236

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 (Note 27), cash and cash equivalents (Note 28) and borrowings (Note 34). 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, cash and cash equivalents and borrowings had been 10 percent higher/lower, the profit before income tax for the year ended 31 December 2022 would have been approximately RMB8,747,000 (2021: RMB7,478,000) 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 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	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**(8,028)**	(4,413)
Provision for doubtful receivables	**(188)**	(3,615)
At the end of the year	**(8,216)**	(8,028)

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 2022 and 2021, the Group assessed and concluded the ECL for other receivables was insignificant and thus no loss allowance was recognised.

Pledged bank deposits/term deposits/cash and cash equivalents

Credit risk on pledged bank deposits/term 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/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/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 2022 and 2021.

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 2022				
Trade and bills payables	**13,592,878**	**–**	**–**	**13,592,878**
Other payables and accruals*	**1,637,364**	**–**	**–**	**1,637,364**
Lease liabilities	**47,227**	**36,994**	**53,242**	**137,463**
Borrowings	**1,284,855**	**–**	**–**	**1,284,855**
Other non-current liabilities	**–**	**–**	**500,187**	**500,187**
	16,562,324	**36,994**	**553,429**	**17,152,747**
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

* 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 2022 and 2021.

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 2022 and 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2022				
Financial assets at FVTPL				
– Wealth management products and structured deposits	**–**	**4,036,671**	**–**	**4,036,671**
– Listed equity investment	**83,114**	**–**	**–**	**83,114**
– Unlisted equity investment	**–**	**–**	**64,025**	**64,025**
– Bond investment	**–**	**14,781**	**–**	**14,781**
– Other financial assets	**9,955**	**–**	**–**	**9,955**
Equity instrument at FVTOCI	**–**	**–**	**2,419**	**2,419**
Debt instrument at FVTOCI	**–**	**20,093**	**–**	**20,093**
Total	**93,069**	**4,071,545**	**66,444**	**4,231,058**
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

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 2022 and 2021.

Description	Fair Values As of 31 December 2022	Fair Values As of 31 December 2021	Valuation techniques	Significant unobservable inputs	Range of inputs As of 31 December 2022	Range of inputs As of 31 December 2021	Relationship of unobservable inputs to fair values
Equity instrument at FVTOCI	**2,419**	19,993	Market approach	Discount for lack of marketability ("DLOM")	**30%**	N/A	The higher the DLOM, the lower the fair value.
Financial assets at FVTPL							
– Unlisted equity investment	**64,025**	61,633	Market approach	Enterprise Value/ Sales ("EV/S")	**15-33**	See below (ii)	The higher the EV/S, the higher the fair value.
				DLOM	**19%-32%**	See below (ii)	The higher the DLOM, the lower the fair value.

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 2021 and 2022:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**81,626**	65,519
Addition in the current year (ii)	**–**	61,633
Fair value change recognised in OCI	**(19,232)**	–
Fair value change recognised in PL	**2,392**	–
Reclassified to level 1 (i)	**–**	(41,999)
Refund of prepayment for an investment (i)	**–**	(3,001)
Currency translation difference	**1,658**	(526)
At the end of the year	**66,444**	81,626

(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 2022, a deferred income tax asset of RMB62,141,000 (2021: RMB88,444,000) 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.

Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 reporting period, the recoverable amount of CGUs was determined based on value in use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. Details of key assumptions and impact of possible changes in key assumptions are disclosed in Note 15.

5 REVENUE AND SEGMENT INFORMATION

5.1 Disaggregation of revenue from contract with customers

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Types of goods		
Electric bicycles	**12,827,456**	9,767,681
Electric scooters	**9,145,187**	10,208,564
Batteries and chargers	**8,397,775**	6,583,763
Electric two-wheeled vehicle parts	**689,025**	407,524
	31,059,443	26,967,532
Timing of revenue recognition		
At point in time	**31,059,443**	26,967,532

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 REVENUE AND SEGMENT INFORMATION (Continued)

5.2 Segment information

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions. The CODM considers the business primarily from product perspective.

The Group's operation has following reportable segments for the year ended 31 December 2022:

– Electric two-wheeled vehicles and related accessories; and

– Batteries.

The "Electric two-wheeled vehicles and related accessories" segment is mainly engaged in the development, manufacture and sales of electric two-wheeled vehicles and related accessories. "Batteries" segment is mainly engaged in the production and sales of batteries of Huayu (as defined below).

The CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The revenues from inter-segment and external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statement of profit or loss.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in this financial information. There were no segment assets and segment liabilities information provided to the CODM, as the CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2022 and 2021 is as follows:

	Year ended 31 December 2022				Year ended 31 December 2021			
	Electric two-wheeled vehicles and related accessories RMB'000	Batteries RMB'000	Elimination RMB'000	Total RMB'000	Electric two-wheeled vehicles and related accessories RMB'000	Batteries RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenue	**30,409,109**	**3,870,034**	**(3,219,700)**	**31,059,443**	26,967,532	–	–	26,967,532
Total segment cost	**(24,846,101)**	**(3,543,598)**	**2,944,267**	**(25,445,432)**	(22,866,048)	–	–	(22,866,048)
Gross profit	**5,563,008**	**326,436**	**(275,433)**	**5,614,011**	4,101,484	–	–	4,101,484

Geographical information

Since over 90% of the Group's revenue and operating profit were generated from the sale of electric two-wheeled 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	
	2022	2021
	RMB'000	RMB'000
Other income		
Government grants	**166,631**	75,300
Bank interest income	**179,556**	81,150
Others	**25,382**	15,603
	371,569	172,053
Other gains		
Net fair value gains on financial assets at FVTPL	**77,994**	232,651
Net foreign exchange gain/(loss)	**20,707**	(7,627)
Net loss on disposal of property, plant and equipment and intangible assets	**(15,696)**	(21,523)
Donations	**(1,930)**	(246)
Others	**1,092**	5,012
	82,167	208,267
	453,736	380,320

7 EXPENSE BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials and consumables used	**24,376,677**	22,226,264
Employee benefits expenses	**2,095,911**	1,518,681
Advertising expenses	**403,067**	364,720
Freight expenses	**303,331**	299,155
Depreciation of property, plant and equipment	**228,872**	163,269
Outsourcing labor fee	**225,301**	188,253
Travelling and transportation expenses	**199,856**	167,104
Outsourcing processing fee	**106,723**	161,611
Product design fee	**86,637**	67,971
Consulting and professional service expenses	**81,868**	141,576
Depreciation of right-of-use assets	**64,670**	47,317
Amortisation of intangible assets	**62,150**	28,005
Amortisation of other long-term assets	**56,464**	73,223
Auditor's remuneration	**9,028**	6,452
– Audit services	**7,579**	5,400
– Non-audit services	**1,449**	1,052
Short-term and low-value lease	**7,479**	7,153
Other expenses	**497,554**	349,801
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	**28,805,588**	25,810,555

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,676,203**	1,269,270
Defined contribution plans (a)	**94,729**	71,631
Other social security costs, housing benefits and other employee benefits	**194,919**	156,664
Share-based compensation expenses (Note 35)	**130,060**	21,116
	2,095,911	1,518,681

(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.

(b) Directors' emoluments

	For the year ended 31 December 2022			
	Fees RMB'000	Salaries and other allowance RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive Directors:				
Ms. Jinghong Qian	–	1,296	69	1,365
Mr. Jinggui Dong	–	2,245	88	2,333
Mr. Yu Shen	–	877	27	904
Independent non-executive Directors:				
Mr. Biguang Wu	258	–	–	258
Mr. Zongwei Li	258	–	–	258
Mr. Naisheng Yao	258	–	–	258
Mr. Wong Lung Ming	258	–	–	258
Non-executive Directors:				
Mr. Yiyin Zhang	258	–	–	258
	1,290	4,418	184	5,892

8 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Directors' emoluments (Continued)

	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 Directors:				
Mr. Yiyin Zhang	249	–	–	249
	1,245	4,410	205	5,860

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.

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 (2021: one) director whose emoluments are reflected in the analysis shown in Note 8(b). The emoluments payable to the remaining four (2021: four) individuals during the years are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**11,974**	7,755
Pension scheme contributions and social welfare	**224**	144
Share-based compensation expenses	**408**	–
	12,606	7,899

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	
	2022	2021
HKD2,000,001 to HKD2,500,000	**–**	2
HKD2,500,001 to HKD3,000,000	**2**	2
HKD3,500,001 to HKD4,000,000	**1**	–
HKD5,000,001 to HKD5,500,000	**1**	–
	4	4

9 FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest charge for borrowings	**33,498**	–
Interest charges for lease liabilities (Note 14)	**6,276**	6,174
Other interest expenses (Note 30)	**19,625**	9,110
	59,399	15,284

10 SUBSIDIARIES

(a) Principal subsidiaries information

The Group's principal subsidiaries at 31 December 2022 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 2022	2021	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 (Vietnam 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)

(a) Principal subsidiaries information (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 2022	2021	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.)* (see note 41)	Chengdu, the PRC, 4 September 2017	RMB20,000,000	RMB20,000,000	**100%**	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)

(a) Principal subsidiaries information (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 2022	2021	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
界首雅迪企業管理中心（有限合夥）* (Jieshou Yadea Enterprise Management Center LLP)*	Jieshou, 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%**	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%**	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%**	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%**	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%**	100%	Manufacture and sale of accessories
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%**	100%	Technical service

10 SUBSIDIARIES (Continued)

(a) Principal subsidiaries information (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 2022	2021	Principal activities
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%**	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%**	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%**	100%	Development, manufacture and sale of electric vehicles and accessories
Yadea International Pte. Ltd.	Singapore, 25 October 2022	USD150,000	USD150,000	**100%**	–	Investment holding
Yadea Technologies (Netherlands) B.V.	Amsterdam, 1 December 2022	EUR100,000	–	**100%**	–	Investment holding
Yadea America Inc.	United States, 20 December 2022	USD20,000	–	**100%**	–	Investment holding
天津雅迪新能源有限公司* (Tianjin Yadea New Energy Co. Ltd.)*	Tianjin, the PRC, 9 November 2022	RMB1,000,000	–	**100%**	–	Development, manufacture and sale of electric vehicles and accessories
華宇新能源科技有限公司* (Huayu New Energy Technology Co., Ltd.)* (see note 40 and 41)	Jieshou, the PRC, 12 November 2008	RMB100,000,000	RMB100,000,000	**100%**	–	Development, manufacture and sale of batteries
界首華宇新能源銷售有限公司* (Jieshou Huayu New Energy Sales Co., Ltd.)* (see note 40)	Jieshou, the PRC, 4 April 2006	RMB5,000,000	RMB5,000,000	**100%**	–	Sale of batteries
杭州華宇新能源研究院有限公司* (Hangzhou Huayu New Energy Research Institute Co., Ltd.)*	Hangzhou, the PRC, 27 January 2022	RMB10,000,000	–	**100%**	–	Research of batteries

10 SUBSIDIARIES (Continued)

(a) Principal subsidiaries information (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 2022	2021	Principal activities
安徽雅迪供應鏈管理有限公司* (Anhui Yadea Supply Chain Management Co., Ltd.)*	Lu'an, the PRC, 20 April 2022	RMB50,000,000	–	**100%**	–	Manufacture and sale of accessories
上海沁芸尚企業管理合夥企業* (Shanghai Qinyunshang Enterprise Management LLP)*	Shanghai, the PRC, 23 December 2022	RMB4,500,450	–	**99.99%**	–	Management consulting
界首市雅迪企業服務管理有限公司* (Jieshou Yadea Enterprise Service Management Co., Ltd.)*	Jieshou, the PRC, 9 December 2022	RMB100,000	–	**100%**	–	Management consulting
青島雅迪電動車銷售有限公司* (Qingdao Yadea Motorcycle Sales Co., Ltd.)*	Qingdao, the PRC, 1 November 2022	RMB10,000,000	–	**100%**	–	Sale of electric vehicles and accessories
海南雅迪供應鏈科技有限公司* (Hainan Yadea Supply Chain Technology Co., Ltd.)*	Chengmai County, the PRC, 1 November 2022	RMB10,000,000	–	**100%**	–	Sale of electric vehicles and accessories
浙江雅迪電動車銷售有限公司* (Zhejiang Yadea Motorcycle Sales Co., Ltd.)*	Hangzhou, the PRC, 13 July 2022	RMB10,000,000	–	**100%**	–	Sale of electric vehicles and accessories
上海雅迪電動車銷售有限公司* (Shanghai Yadea Motorcycle Sales Co., Ltd.)*	Shanghai, the PRC, 21 June 2022	RMB10,000,000	RMB500,000	**100%**	–	Sale of electric vehicles and accessories
安徽雅迪電動車銷售有限公司* (Anhui Yadea Motorcycle Sales Co., Ltd.)*	Lu'an, the PRC, 14 August 2022	RMB10,000,000	RMB500,000	**100%**	–	Sale of electric vehicles and accessories
安徽雅迪新能源機車銷售有限公司* (Anhui Yadea New Energy Sales Co., Ltd)*	Lu'an, the PRC, 3 August 2022	RMB10,000,000	RMB500,000	**100%**	–	Sale of electric vehicles and accessories

* Wholly foreign owned enterprise established in the PRC

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	
	2022	2021
	RMB'000	RMB'000
Current PRC Enterprise Income Tax	**380,217**	169,798
Deferred income tax (Note 23)	**52,050**	(29,456)
Total tax charge for the year	**432,267**	140,342

(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 2022 and 2021, 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 2022 (2021: 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.), 安徽雅迪機車有限公司 (Anhui Yadea Motorcycle Co.,Ltd.), 華宇新能源科技有限公司 (Huayu New Energy Technology Co., Ltd) and 上海雅迪信息技術有限公司 (Shanghai Yadea Information Technology Co., Ltd.) obtained/renewed 'New High-tech Enterprise' qualification from 2020 to 2022. 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 2022.

- 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.) and 重慶雅迪科技有限公司 (Chongqing Yadea Technology Co., Ltd.) are qualified as companies under the development strategy of the PRC's western region and are 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 Administration Region for 2019, 2020 and 2021 and the resident status was approved for renewal in 2022 for another 3 years starting from 2022. Pursuant to such approval, the dividends distributed to Yadea HK from the PRC subsidiaries during the approved periods are 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	
	2022	2021
	RMB'000	RMB'000
Profit before tax	**2,615,267**	1,506,985
Tax at the statutory tax rate (25%)	**653,817**	376,746
Tax effect of preferential tax rate	**(210,385)**	(143,931)
Different tax jurisdiction	**15,857**	9,917
Tax credit for qualified research and development expenses and qualified purchase of property, plant and equipment	**(96,960)**	(92,089)
Withholding tax of appropriation of dividend (i)	**58,453**	36,472
Tax effect of expenses not deductible for tax purpose and other effect	**21,645**	3,595
Utilization/recognition of previously unrecognised tax losses and other timing difference	**(42,798)**	(59,863)
Tax losses and temporary differences for which no deferred tax assets were recognised	**32,638**	9,495
Income tax expense for the year	**432,267**	140,342

(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. 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 2022, withholding tax of RMB58,453,000 (2021: RMB36,472,000) was recognised for 50% of the PRC subsidiaries' profits for the year ended 31 December 2022 to be distributed. Withholding 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 RMB4,662,928,000 as at 31 December 2022 (31 December 2021: RMB3,493,868,000).

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	
	2022	2021
	RMB'000	RMB'000
Profit attributable to owners of the Company (RMB'000)	**2,161,094**	1,369,495
Weighted average number of ordinary shares in issue (thousand shares)	**2,921,284**	2,862,212
Basic earnings per share (in RMB cents/share)	**74.0**	47.8

(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 2021 and 2022, 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	
	2022	2021
	RMB'000	RMB'000
Profit attributable to owners of the Company arising from (RMB'000):	**2,161,094**	1,369,495
Weighted average number of ordinary shares in issue (thousand shares)	**2,921,284**	2,862,212
Adjustments for share based compensation – RSUs (thousand shares)	**41,284**	53,389
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	**2,962,568**	2,915,601
Diluted earnings per share (in RMB cents/share)	**72.9**	47.0

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 2022							
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**
Year ended 31 December 2022							
Opening net book amount	**1,335,269**	**309,773**	**16,487**	**33,338**	**46,084**	**470,662**	**2,211,613**
Acquisition (Note 40)	**109,989**	**111,838**	**2,077**	**642**	**2,731**	**53,097**	**280,374**
Additions	**46,053**	**109,723**	**8,398**	**21,122**	**18,820**	**921,846**	**1,125,962**
Transfers*	**367,679**	**15,508**	**934**	**1,809**	**7,883**	**(400,698)**	**(6,885)**
Depreciation charge (Note 7)	**(116,970)**	**(77,610)**	**(6,423)**	**(14,631)**	**(13,238)**	**–**	**(228,872)**
Disposal	**(911)**	**(33,010)**	**(1,316)**	**(2,149)**	**(2,233)**	**(51,345)**	**(90,964)**
Closing net book amount	**1,741,109**	**436,222**	**20,157**	**40,131**	**60,047**	**993,562**	**3,291,228**
At 31 December 2022							
Cost	**2,321,747**	**583,698**	**46,647**	**89,806**	**107,073**	**993,562**	**4,142,533**
Accumulated depreciation	**(580,638)**	**(147,476)**	**(26,490)**	**(49,675)**	**(47,026)**	**–**	**(851,305)**
Net book amount	**1,741,109**	**436,222**	**20,157**	**40,131**	**60,047**	**993,562**	**3,291,228**
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

* 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 2022, the application for the property ownership certificates for certain buildings with an aggregate net book value of approximately RMB704,301,000 (2021: RMB380,803,000) 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 2022, certain of the Group's buildings and construction in progress with an aggregate net carrying amount of RMB420,229,000 (2021: RMB433,767,000) were pledged to secure the Group's bills payable.

14 LEASE

(a) Amounts 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	
	2022	2021
	RMB'000	RMB'000
Right-of-use assets		
Land use rights	**805,014**	799,530
Leased property	**131,450**	128,208
	936,464	927,738
Lease liabilities		
Current	**47,087**	40,429
Non-current	**82,166**	87,132
	129,253	127,561

Additions to the right-of-use assets during the year ended 31 December 2022 were RMB74,438,000 (2021: RMB521,578,000), including a land use right with a net carrying amount of RMB29,284,000 from acquisition as disclosed in Note 40.

As at 31 December 2022, certain of the Group's land use rights with an aggregate net carrying amount of RMB98,019,000 (2021: RMB81,027,000) were pledged to secure the Group's bills payable.

14 LEASE (Continued)

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**20,725**	12,348
Leased property	**43,945**	34,969
	64,670	47,317
Interest expense (included in finance costs) (Note 9)	**6,276**	6,174
Expense relating to short-term leases	**6,514**	6,975
Expense relating to leases of low-value assets that are not shown above as short-term leases	**965**	178

The total cash outflow for leases in 2022 was RMB52,632,000 (2021: RMB47,383,000).

(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 10 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	Goodwill RMB'000	Total RMB'000
Year ended 31 December 2022				
Opening net book amount	**31,834**	**15,786**	**–**	**47,620**
Acquisition (Note 40)	**368**	**310,480**	**683,858**	**994,706**
Additions	**17,005**	**–**	**–**	**17,005**
Amortisation charge (Note 7)	**(18,317)**	**(43,833)**	**–**	**(62,150)**
Disposal	**(139)**	**–**	**–**	**(139)**
Closing net book amount	**30,751**	**282,433**	**683,858**	**997,042**
At 31 December 2022				
Cost	**95,582**	**346,914**	**683,858**	**1,126,354**
Accumulated amortisation	**(64,831)**	**(64,481)**	**–**	**(129,312)**
Net book amount	**30,751**	**282,433**	**683,858**	**997,042**
Year ended 31 December 2021				
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

(a) Impairment tests for goodwill

Goodwill is monitored by management at the CGU level. The goodwill of RMB683,858,000 represented the excess of total consideration over the fair value of identifiable net assets arisen from the acquisitions of Jieshoushi Nandu Huayu Power Co., Ltd. and Zhejiang Changxing Nandu Power Co., Ltd. (collectively, "Huayu") disclosed in Note 40, and it belongs to batteries segment.

Management conducted impairment review on the goodwill according to HKAS 36 "Impairment of assets" which requires the Company to allocate the goodwill to the cash-generating units and compare the unit's carrying amount with its recoverable amount.

The recoverable amount of a CGU is determined based on value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the respective industry in which the CGU operates.

15 INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill (Continued)

The key assumptions used for the value-in-use calculations during the years ended 31 December 2022 and the recoverable amount as at 31 December 2022 is disclosed as below:

	Year ended 31 December 2022
Sales growth rate	**9%-25%**
Gross profit margin	**15%-16%**
Terminal growth rate	**1.8%**
Pre-tax discount rate	**13.5%**
Recoverable amount of CGU (RMB'000)	**1,762,030**

The budgeted gross profit margins used in the goodwill impairment testing, were determined by management based on past performance and its expectation for market development. The expected sales growth rate and gross profit margins are following the business plan approved by the Group. Pre-tax discount rates reflect market assessments of the time value and the specific risks relating to the industry.

The recoverable amount of the CGU is estimated to exceed the carrying amount of the CGU at 31 December 2022 by RMB257,904,000. Therefore, no impairment loss was recognised in 2022.

The Company performs sensitivity analysis. Had the estimated key assumption during the forecast period been changed as below, the headroom would be decreased to as below:

If the sales growth rate used in the value-in-use calculation had been 5% lower than management's estimates at 31 December 2022, the recoverable amount would have been RMB65,383,000 lower, and no impairment would have been recognised against the amount of goodwill.

If the gross profit margin used in the value-in-use calculation had been 2% lower than management's estimates at 31 December 2022, the recoverable amount would have been RMB249,566,000 lower, but no impairment would have been recognised against the amount of goodwill.

If the post-tax discount rate applied to the cash flow projections had been 1% higher than management's estimates as at 31 December 2022, the recoverable amount would have been RMB230,295,000 lower, but no impairment would have been recognised against the amount of goodwill.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial Assets at FVTPL	**4,208,546**	3,870,339
Financial assets at amortised cost	**12,265,032**	9,625,339
– Cash and cash equivalents	**6,782,622**	6,073,112
– Pledged bank deposits	**4,669,724**	2,993,010
– Term deposits	**200,000**	–
– Trade receivable	**388,315**	392,607
– Other receivables	**224,371**	166,610
Equity instruments at FVTOCI	**2,419**	19,993
Debt instruments at FVTOCI	**20,093**	87,756
	16,496,090	13,603,427
Financial liabilities		
At amortised cost:		
– Trade and bills payable	**13,592,878**	12,758,156
– Other payables and accruals*	**1,637,364**	927,659
– Other non-current liabilities	**500,187**	398,410
– Borrowings	**1,281,679**	–
– Lease liabilities	**129,253**	127,561
	17,141,361	14,211,786

* Excluding staff costs and welfare accruals and other taxes.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Associates	**99,622**	63,048

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**63,047**	3,076
Additions	**69,500**	75,000
Share of loss of investments accounted for using the equity method	**(32,925)**	(15,028)
At the end of the year	**99,622**	63,048

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 accordance with the investment agreement, in April 2022, the Group made proportionate capital injection of RMB66,000,000 to the unlisted company with the other shareholder.

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 2021 and 2022.

18 EQUITY INVESTMENTS AT FVTOCI

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Unlisted equity investments	**2,419**	19,993

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	
	2022	2021
	RMB'000	RMB'000
Loss recognised in OCI	**(19,232)**	–

19 TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	**396,531**	400,635
Less: allowance for credit losses	**(8,216)**	(8,028)
	388,315	392,607

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	
	2022	2021
	RMB'000	RMB'000
Within 6 months	**378,822**	385,167
Over 6 months	**9,493**	7,440
	388,315	392,607

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

20 INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials	**753,835**	756,503
Work in progress	**346,343**	12,276
Finished goods	**357,871**	425,434
	1,458,049	1,194,213

The inventory provisions as of 31 December 2022 and 2021 were insignificant.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Wealth management products and structured deposits*	**4,036,671**	3,740,442
Listed equity investment	**83,114**	42,800
Unlisted equity investment	**64,025**	61,633
Bond investment	**14,781**	25,464
Other financial assets	**9,955**	–
	4,208,546	3,870,339

* As at 31 December 2022, the Group's wealth management products and structured deposits with a carrying amount of RMB250,000,000 (2021: RMB943,000,000) were pledged as security for the Group's bills payable.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Advance payments to customers (i)	**1,063,254**	876,511
Prepayment for acquisition of property, plant and equipment and land use rights	**54,020**	42,582
Module costs	**–**	6,930
Loans to a third party	**–**	2,100
Others	**9,041**	7,843
	1,126,315	935,966
Current assets		
Prepayments to suppliers	**305,413**	100,163
VAT recoverable	**68,742**	81,490
Warranty costs receivable from suppliers	**62,236**	–
Interest charge for bank deposits	**52,922**	15,036
Insurance receivable	**51,266**	61,439
Individual income tax receivable for RSUs withheld and remitted	**22,665**	37,461
Loans to third parties	**11,210**	8,955
Deposits	**9,355**	11,354
Module costs	**8,780**	16,469
Receivable from a related party (see note 42)	**5,000**	–
Prepayments for advertising expense	**850**	790
Receivable from transfer of shares in investment fund	**–**	16,352
Others	**69,227**	53,921
	667,666	403,430
	1,793,981	1,339,396

(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

(a) Deferred income tax assets

	As at 31 December 2022 RMB'000	2021 RMB'000
The balance comprises temporary differences attributable to:		
– Tax losses	**77,224**	39,433
– Government grants	**12,480**	6,161
– Sales rebate	**31,699**	29,998
– Others	**5,737**	12,852
Total gross deferred tax assets	**127,140**	88,444
Set-off of deferred tax liabilities pursuant to set-off provisions	**(64,999)**	–
Net deferred tax assets	**62,141**	88,444

	As at 31 December 2022 RMB'000	2021 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**17,731**	11,628
– to be recovered within 12 months	**44,410**	76,816
	62,141	88,444

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

	Tax losses RMB'000	Government grants RMB'000	Sales rebate RMB'000	Others RMB'000	Total RMB'000
At 31 December 2020	–	–	40,757	5,290	46,047
Credit/(debit) to profit or loss (Note 11)	39,433	6,161	(10,759)	7,562	42,397
At 31 December 2021	39,433	6,161	29,998	12,852	88,444
Acquisition	**64,791**	**–**	**–**	**–**	**64,791**
(Debit)/credit to profit or loss (Note 11)	**(27,000)**	**6,319**	**1,701**	**(7,115)**	**(26,095)**
At 31 December 2022	**77,224**	**12,480**	**31,699**	**5,737**	**127,140**

23 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
The balance comprises temporary differences attributable to:		
– Withholding tax of dividend	**58,453**	36,472
– Assets appreciation	**52,530**	–
– Others	**18,885**	2,650
Total gross deferred tax liabilities	**129,868**	39,122
Set-off of deferred tax liabilities pursuant to set-off provisions	**(64,999)**	–
Net deferred tax liabilities	**64,869**	39,122

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**6,540**	–
– to be recovered within 12 months	**58,329**	39,122
	64,869	39,122

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

	Withholding tax of dividend RMB'000	Assets appreciation RMB'000	Others RMB'000	Total RMB'000
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
Acquisition	**–**	**64,791**	**–**	**64,791**
Debit/(credit) to profit or loss (Note 11)	**21,981**	**(12,261)**	**16,235**	**25,955**
At 31 December 2022	**58,453**	**52,530**	**18,885**	**129,868**

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	As at 31 December	
	2022	2021
	RMB'000	RMB'000
2023	**117**	8,485
2024	**6,266**	19,670
2025	**–**	186
2026	**270,775**	26,967
2027 and after	**317,179**	–
	594,337	55,308

24 OTHER LONG-TERM ASSET

To enhance the customer experience, the Group used to invest in the distributor point of sales by providing assets and decoration materials at the distributors' premise before 2021. 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 2022 was RMB56,464,000 (2021: RMB73,223,000).

25 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Bills receivable	**20,093**	87,756

As at 31 December 2022, 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 RMB91,921,000 (2021: RMB164,240,000). 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	
	2022	2021
	RMB'000	RMB'000
Non-current assets	**800,000**	–
Current assets	**3,869,724**	2,993,010
	4,669,724	2,993,010

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

27 TERM DEPOSITS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Term deposits	**200,000**	–

The interest rate for the term deposits of the Group as at 31 December 2022 is 3.55% per annum.

Management considered that the carrying amount of the term deposits approximated their fair value as at 31 December 2022.

28 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents	**6,782,622**	6,073,112

Cash and cash equivalents carry interest at market rates of 0.25% to 3.15% (2021: 0.30% to 2.709%) per annum.

29 DEFERRED INCOME

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants	**83,202**	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 RMB4,688,000 (2021: RMB2,160,000) has been charged in other income and gains – net in Note 6.

30 OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Government financing	**500,187**	398,410

Other non-current liabilities represent two interest-free loans of RMB460,883,000 and RMB39,304,000 due in July 2025 and September 2026, respectively, from local government for the Group's construction of new production facilities. For the year ended 31 December 2022, the Group recognized a gain of RMB19,625,000 (2021: RMB9,110,000) for these interest-free loans in other income and the discounting impact of RMB19,625,000 (2021: RMB9,110,000) as finance cost.

31 TRADE AND BILLS PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables	**3,779,421**	4,021,238
Bills payable	**9,813,457**	8,736,918
	13,592,878	12,758,156

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	
	2022	2021
	RMB'000	RMB'000
Within 3 months	**3,726,902**	3,996,106
3 to 6 months	**45,458**	19,677
6 to 12 months	**3,263**	1,412
12 to 24 months	**1,162**	1,104
Over 24 months	**2,636**	2,939
	3,779,421	4,021,238

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	
	2022	2021
	RMB'000	RMB'000
Non-current liabilities		
Warranty	**59,282**	–
Current liabilities		
Payables for purchase of property, plant and equipment	**573,231**	89,316
Staff payroll and welfare payables	**481,672**	315,204
Deposits from suppliers and distributors	**448,471**	308,701
Accrued expenses	**383,869**	331,398
Sales rebate	**143,230**	141,039
Warranty	**112,373**	–
Other tax payable	**64,872**	89,982
Tax element of contract liabilities	**29,317**	17,449
Others	**24,389**	57,205
	2,261,424	1,350,294
	2,320,706	1,350,294

33 CONTRACT LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Advance from distributors for sales of electric vehicles	**225,513**	134,222

(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	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sales of electric vehicles	**134,222**	304,099

(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 BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Bank loans	**1,281,679**	–

The bank loans are secured by the Group's pledged bills and are to be settled within one year.

Management considered that the carrying amount of the bank loans approximated their fair value as at 31 December 2022.

The weighted average effective interest rates of the Group's bank loans as at 31 December 2022 is 2.00% per annum.

35 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 2021	**2,995,000,000**	**30**
Placing of new shares	**68,800,000**	**1**
At 31 December 2022	**3,063,800,000**	**31**
Equivalent to RMB'000		
As at 31 December 2021 and 2022		**192**

On 31 May 2022, the Company completed the placing of 68,800,000 new shares and raised net proceeds of approximately HKD857,647,000 (equivalent to RMB727,842,000).

(b) Treasury shares

For the years ended 31 December 2022 and 2021:

	Number of shares		RMB'000	
	2022	2021	**2022**	2021
Treasury shares				
At beginning of year	**129,562,539**	148,588,539	**295,183**	286,907
Share repurchase for share award scheme	**–**	3,168,000	**–**	33,688
Vested and transferred to employees	**(20,362,000)**	(22,194,000)	**(23,315)**	(25,412)
At end of the year	**109,200,539**	129,562,539	**271,868**	295,183

35 SHARE CAPITAL (Continued)

(c) Share based payment

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 or equivalent entity (i.e. limited partnership) was established under a trust deed/partnership agreement 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 these entities on behalf of the Company. The Directors have determined that the Company controls the trust or equivalent entity through the trust deed/partnership agreement and therefore consolidates these entities.

(d) Restricted Share Units ("RSUs")

The following table summarizes certain information in respect of RSUs activity as of 31 December 2022:

	Number of Awards		Weighted Average Grant Date Fair Value Per RSU	
	2022	2021	**2022 RMB**	2021 RMB
RSUs outstanding, beginning of the year	**51,940,000**	75,200,000	**1.13**	1.13
Granted	**50,660,000**	–	**4.94**	–
Vested	**(20,362,000)**	(22,194,000)	**1.20**	1.13
Forfeited	**(8,008,000)**	(1,066,000)	**2.90**	1.13
RSUs outstanding, end of the year	**74,230,000**	51,940,000	**3.52**	1.13

In 2020 and 2022, the Group has granted RSUs to certain employees under the share award schemes. The RSUs granted would vest in different schedules from the grant date. The fair value of RSUs granted was determined by reference to the market price and exercise price of the ordinary share of the Company. Vesting of the RSUs is subject to certain performance measures and 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:

	2022 RMB'000	2021 RMB'000
RSUs granted	**130,060**	21,116

36 DIVIDENDS

	For the year ended	
	2022	2021
	RMB'000	RMB'000
Final dividends for the year ended 31 December 2021 of 28.0 HK cents (2020 – final dividend 19.0 HK cents) per fully paid share	**705,304**	453,513

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of 40.0 HK cents (2021: 28.0 HK cents) per ordinary share, in an aggregate amount of HKD1,181,840,000 equivalent to RMB1,034,748,000 (2021: HKD802,322,000 equivalent to RMB653,668,000), 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").

37 CASH FLOW INFORMATION

(a) Cash generated from operations

		Year ended 31 December	
		2022	2021
	Notes	**RMB'000**	RMB'000
Profit before tax		**2,615,267**	1,506,985
Adjustments for:			
Bank interest income	6	**(179,556)**	(81,150)
Loss on disposal of property, plant and equipment and intangible assets, net	6	**15,696**	21,523
Depreciation of property, plant and equipment	7	**228,872**	163,269
Depreciation of right-of-use assets	7	**64,670**	47,317
Amortisation of other long-term asset	24	**56,464**	73,223
Gain on disposal of one subsidiary		**–**	1,055
Amortisation of intangible assets	7	**62,150**	28,005
Share results of associates	17	**32,925**	15,028
Share based compensation	8	**130,060**	21,116
Interest expense	9	**59,399**	15,284
Other income and gains		**(50,090)**	(3,334)
Net fair value gains on financial assets at FVTPL	6	**(77,994)**	(232,651)
Operating cash flows before movement in working capital		**2,957,863**	1,575,670
Decrease/(increase) in inventories		**164,134**	(513,967)
Decrease/(increase) in trade receivables		**120,706**	(15,461)
Decrease in prepayments, deposits and other receivables		**(184,028)**	(569,931)
Increase in debt instruments at FVTOCI		**70,813**	261,424
(Increase)/decrease in pledged bank deposits		**(876,714)**	1,115,473
Increase in trade and bills payables		**1,151,908**	1,972,126
Increase in other payables and accruals		**98,148**	366,898
Decrease in contract liabilities		**(127,818)**	(229,917)
Cash generated from operations		**3,375,012**	3,962,315

37 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities generated from financing activities

	Borrowings	Lease liabilities	Other non-current liabilities	Total
Net debt as at 1 January 2021	–	(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)
Cash flows	**360,894**	**49,959**	**(132,474)**	**278,379**
Foreign exchange adjustments	**–**	**(222)**	**–**	**(222)**
Acquisition (Note 40)	**(1,990,531)**	**–**	**–**	**(1,990,531)**
Acquisition-lease	**–**	**(45,153)**	**–**	**(45,153)**
Interest expenses	**(33,498)**	**(6,276)**	**–**	**(39,774)**
Non-cash financing activities (i)	**381,456**	**–**	**30,697**	**412,153**
Net debt as at 31 December 2022	**(1,281,679)**	**(129,253)**	**(500,187)**	**(1,911,119)**

(i) Non-cash financing activities

In 2022, the local government who provided interest-free loans (Note 30) to the Group entered into an agreement with the Group to redesignate a portion of interest-free loans of RMB30,697,000 from loan to government grant to compensate the Group's construction of its property, plant and equipment. Therefore, the Group derecognised the loan from non-current liabilities by RMB30,697,000 and recognised the corresponding amount as an addition in deferred income (Note 29).

In 2022, after the acquisition of Huayu by the Group, Huayu entered into tripartite agreements with certain of its customers and Zhejiang Narada Power Source Co., Ltd. ("Narada") and its subsidiaries (collectively, "Narada Group"), the then non-controlling interests shareholder of the Huayu. Pursuant to the agreements, Huayu used its trade receivables of RMB381,456,000 to settle its borrowings of RMB381,456,000 from Narada Group without recourse.

38 CONTINGENT LIABILITIES

As at 31 December 2022 and 31 December 2021, the Group had no significant contingent liabilities.

39 COMMITMENTS

(a) Capital Commitments

	Year ended 31 December	
	2022	2021
	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 positions	**406,378**	678,122

39 COMMITMENTS (Continued)

(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	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**1,755**	866
Later than 1 year and no later than 5 years	**520**	138
	2,275	1,004

40 BUSINESS COMBINATION

(a) Summary of acquisition

In January 2022, Yadea Technology Group Co., Ltd., a wholly-owned subsidiary of the Company, complete the acquisition of 70% of the equity interests in Huayu from Narada and other shareholder for a total cash consideration of RMB311,500,000.

The assets and liabilities of the Huayu recognised upon the acquisition are as follows:

	Fair Value
	RMB'000
Cash and cash equivalents	9,532
Intangible assets (i)	310,848
Property, plant and equipment	280,374
Right-of-use assets	29,284
Other non-current assets	12,468
Trade receivables	599,748
Inventories	423,263
Other current assets	692,674
Other payables and accruals	(394,932)
Borrowings	(1,990,531)
Trade and bills payables	(285,560)
Other current liabilities	(219,108)
Net identifiable liabilities acquired	(531,940)
Less: non-controlling interest	159,582
Add: goodwill (ii)	683,858
	311,500

(i) The intangible assets mainly include acquired patents of RMB310,480,000 as a result of this business combination. Details of intangible assets are disclosed in Note 15.

(ii) The goodwill is attributable to synergies expected to arise after the acquisition. It has been allocated to the Group's batteries operating segment.

40 BUSINESS COMBINATION (Continued)

(b) Purchase consideration – cash outflow

	Year ended 31 December 2022 RMB'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	**311,500**
Less: Balances acquired Cash	**(9,532)**
Net outflow of cash – investing activities	**301,968**

41 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of non-controlling interests of Huayu

Subsequent to the business combination in January 2022 as disclosed in Note 40, the Group entered into an equity transfer agreement with Huayu and Narada, the then non-controlling interests shareholder of the Huayu, to acquire the remaining 30% equity interests in Huayu at a total cash consideration of RMB133,500,000 in August 2022. The purchase of the remaining equity interests was considered as a separate transaction from the original business combination and was completed in August 2022.

Immediately prior to the purchase, the carrying amount of the 30% non-controlling interest in Huayu was a deficit of RMB140,665,000. The Group derecognized the non-controlling interests of RMB140,665,000 and recorded a decrease in equity attributable to owners of the Company of RMB274,165,000. The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	Year ended 31 December 2022 RMB'000
Carrying amount of non-controlling interests acquired	**(140,665)**
Consideration paid to non-controlling interests	**(133,500)**
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(274,165)**

41 TRANSACTIONS WITH NON-CONTROLLING INTERESTS (Continued)

(b) Acquisition of non-controlling interests of Chengdu Yadea Technology Co., Ltd. ("Chengdu Yadea")

In August 2022, the Group entered into an equity transfer agreement with the non-controlling interests shareholders of Chengdu Yadea to acquire the remaining 30% equity interests in Chengdu Yadea at a total cash consideration of RMB6,000,000. Immediately prior to the purchase, the carrying amount of the existing 30% non-controlling interest in Chengdu Yadea was RMB13,757,000. The Group recognised a decrease in non-controlling interests of RMB13,757,000 and an increase in equity attributable to owners of the Company of RMB7,757,000. The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	Year ended 31 December 2022 RMB'000
Carrying amount of non-controlling interests acquired	**13,757**
Consideration paid to non-controlling interests	**(6,000)**
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**7,757**

42 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 Shareholders
Okawa MOTOR Technology (Jiangsu) Co., Ltd. ("Okawa MOTOR")	Associate
Narada Group	A non-controlling interests shareholder holding 30% shares of the Group's subsidiary

As disclosed in Note 40 and 41, the Group acquired 70% of equity interests in Huayu in January 2022, and since then, Narada, who held 30% shares in Huayu, became the Group's related party. As the Group acquired all the remaining equity interests in Huayu from Narada in August 2022, Narada Group was no longer the Group's related party. Disclosure of transactions with Narada Group only covered period from January 2022 to August 2022.

42 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with Related Parties

(i) Purchase of materials and equipment

	2022 RMB'000	2021 RMB'000
Okawa MOTOR	14,209	21,122
Narada Group	1,348,966	–

The purchases of materials and equipment were made on terms agreed between the parties.

(ii) Sales of materials

	2022 RMB'000	2021 RMB'000
Narada Group	102,902	–

The sales were made on terms agreed between the parties.

(iii) Sales of equipment

	2022 RMB'000	2021 RMB'000
Okawa MOTOR	–	487
Narada Group	53,097	–

(iv) Proceeds from borrowings

	2022 RMB'000	2021 RMB'000
Narada Group	288,000	–

(v) Repayment of borrowings

	2022 RMB'000	2021 RMB'000
Narada Group (Note 37(b))	1,290,528	–

42 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with Related Parties (Continued)

(vi) Interest charged by related parties

	2022 RMB'000	2021 RMB'000
Narada Group	**7,639**	–

(vii) Loan advanced

	2022 RMB'000	2021 RMB'000
Okawa MOTOR	**5,000**	–

The loan was unsecured with an interest rate of 3.7% per annum.

(b) Due to Related Parties

(i) Trade payables

	2022 RMB'000	2021 RMB'000
Okawa MOTOR	**2,389**	14,054

(ii) Other Payables

	2022 RMB'000	2021 RMB'000
Ningbo Suogao	**120**	120

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

(iii) Advance from related party

	2022 RMB'000	2021 RMB'000
Okawa MOTOR	**76**	–

42 RELATED PARTY TRANSACTIONS (Continued)

(c) Due from Related Parties

(i) Trade Receivables

	2022 RMB'000	2021 RMB'000
Okawa MOTOR	**6,390**	–

(ii) Advance payment to related party

	2022 RMB'000	2021 RMB'000
Okawa MOTOR	**4,247**	–

(iii) Loan to related party

	2022 RMB'000	2021 RMB'000
Okawa MOTOR	**5,000**	–

(d) Compensation of Key Management Personnel of the Group

	2022 RMB'000	2021 RMB'000
Salaries	**12,028**	10,591
Pension scheme contributions and social welfare	**431**	363
Share-based compensation expenses	**2,253**	4,788
	14,712	15,742

In addition to the amounts above, the Group also provides other non-monetary benefits, refer to note 8 for detail.

43 EVENTS AFTER THE REPORTING PERIOD

On 17 January 2023, options on 33,550,000 shares were granted to employees with an exercise price set at the closing price on that date of HKD16.14 per share.

44 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current Assets		
Property, plant and equipment	**462**	–
Right-of-use asset	**4,147**	–
Investments in subsidiaries	**361,202**	231,586
Equity instrument at FVTOCI	**343**	17,120
	366,154	248,706
Current Assets		
Amount due from a subsidiary	**36,625**	18,023
Prepayments, deposits and other receivables	**44,644**	86,318
Wealth management products and structured deposits	**78,760**	113,530
Cash and cash equivalents	**967,206**	156,122
	1,127,235	373,993
Total Assets	**1,493,389**	622,699
Non-current Liabilities		
Lease liability	**2,525**	–
	2,525	–
Current Liabilities		
Lease liability	**1,569**	–
Other payables and accruals	**4,184**	3,753
	5,753	3,753
Total Liabilities	**8,278**	3,753
Net Assets	**1,485,111**	618,946
Equity		
Share capital	**192**	187
Share premium and reserves	**1,484,919**	618,759
Total Equity	**1,485,111**	618,946

44 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 retained earnings RMB'000	Total RMB'000
At 1 January 2021	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 36)	(397,626)	–	–	–	(55,887)	(453,513)
Employee share schemes – value of employee services (Note 35(d))	–	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
Total comprehensive (loss)/income for the year, net of income tax	**–**	**–**	**(19,232)**	**66,555**	**688,472**	**735,795**
Issue of shares	**727,837**	**–**	**–**	**–**	**–**	**727,837**
Dividends provided for or paid (Note 36)	**(723,369)**	**–**	**–**	**–**	**–**	**(723,369)**
Employee share schemes – value of employee services (Note 35(d))	**–**	**130,060**	**–**	**–**	**–**	**130,060**
Restricted share units vested	**23,304**	**(27,467)**	**–**	**–**	**–**	**(4,163)**
At 31 December 2022	**27,772**	**186,431**	**(14,569)**	**80,856**	**1,204,429**	**1,484,919**