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

2023 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
(resigned with effect from 16 June 2023)
Mr. Wu Biguang
(resigned with effect from 16 June 2023)
Mr. Yao Naisheng
(resigned with effect from 16 June 2023)
Mr. Wong Lung Ming
Mr. Chen Mingyu
(appointed with effect from 16 June 2023)
Ms. Ma Chenguang
(appointed with effect from 16 June 2023)
Ms. Liang Qin
(appointed with effect from 16 June 2023)

BOARD COMMITTEES

Audit Committee

Mr. Chen Mingyu *(Chairman)*
Mr. Wong Lung Ming
Mr. Zhang Yiyin
Ms. Ma Chenguang
Ms. Liang Qin

Remuneration Committee

Ms. Ma Chenguang *(Chairman)*
Mr. Zhang Yiyin
Mr. Wong Lung Ming
Ms. Liang Qin

Nomination Committee

Mr. Dong Jinggui *(Chairman)*
Ms. Qian Jinghong
Mr. Zhang Yiyin
Mr. Chen Mingyu
Ms. Ma Chenguang
Ms. Liang Qin
Mr. Wong Lung Ming

JOINT COMPANY SECRETARIES

Mr. Shen Yu
Mr. Leung Chi Kit, ACG, HKACG

AUTHORISED REPRESENTATIVES

Ms. Qian Jinghong
Mr. Leung Chi Kit

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

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 21 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.

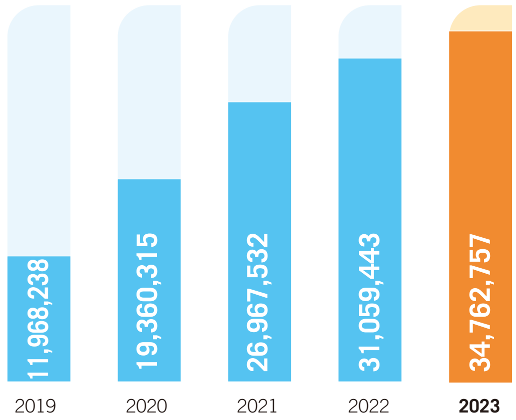
Yadea is dedicated in mastering the innovation and core technology of electric vehicles, adhering to international safety and quality standards, thus to provide the world with superior green solutions for e-mobility. The Group has six technology R&D centers, one design center, and two CNAS laboratories, housing over 1,000 R&D experts and more than 1,900 patents. It has seven self-operated production facilities located in Wuxi, Tianjin, Cixi, Qingyuan, Anhui, Chongqing and Vietnam, respectively. As at 31 December 2023, the Group had annual electric two-wheeled vehicle production capacity of approximately 20 million units, supported by more than 12,000 employees.

The Group's domestic distribution network covered almost every administrative region of the PRC and consisted of more than 4,000 distributors as well as their sub-distributors with over 40,000 points of sales as at 31 December 2023. The Group also has established distribution channels in over 90 countries across Europe, South East Asia, South America, and Central America.

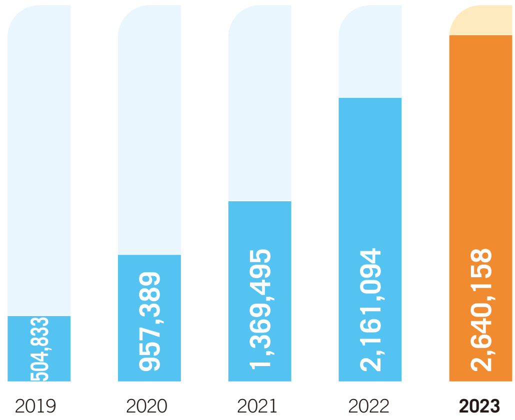
The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 May 2016 under the stock code of 1585.

FINANCIAL HIGHLIGHTS

REVENUE
RMB'000

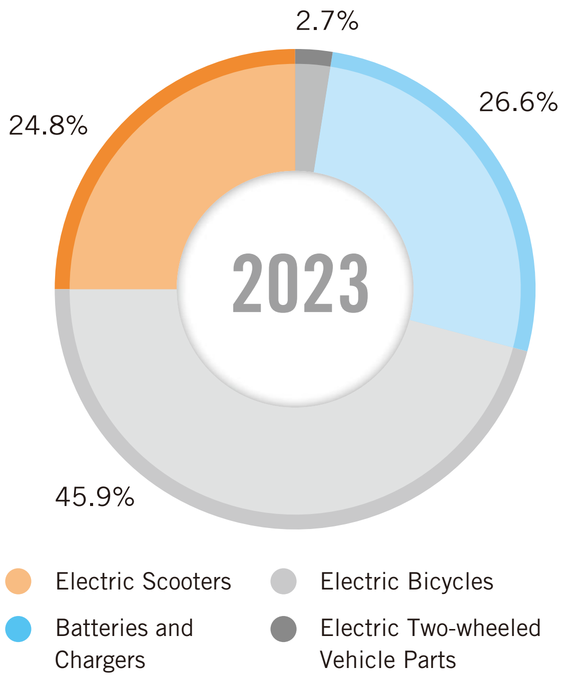


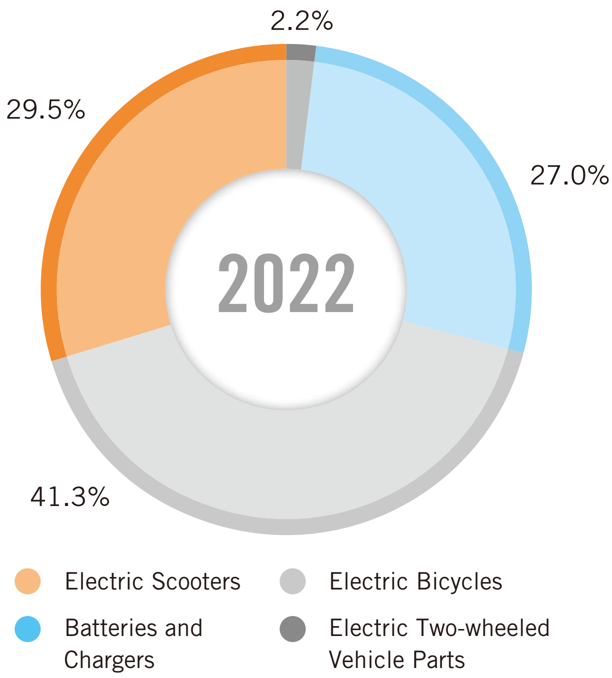
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
RMB'000



Consolidated revenue increased 11.9% year-on-year to RMB34,762.8 million

REVENUE GENERATED BY PRODUCT TYPE





FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**34,762,757**	31,059,443	26,967,532	19,360,315	11,968,238
Cost of sales	**(28,877,517)**	(25,445,432)	(22,866,048)	(16,287,085)	(9,890,101)
Gross profit	**5,885,240**	5,614,011	4,101,484	3,073,230	2,078,137
Profit before tax	**3,019,952**	2,615,267	1,506,985	1,186,777	600,216
Income tax expense	**(379,794)**	(432,267)	(140,342)	(227,488)	(91,524)
Profit for the year attributable to					
– Owners of the Company	**2,640,158**	2,161,094	1,369,495	957,389	504,833
– Non-controlling interests	**–**	21,906	(2,852)	1,900	3,859

CONSOLIDATED ASSETS AND LIABILITIES

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**25,660,098**	24,952,686	19,407,793	16,016,355	10,707,260
Total liabilities	**17,258,892**	18,310,092	14,895,394	12,413,512	7,639,718
Total equity	**8,401,206**	6,642,594	4,512,399	3,602,843	3,067,482

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 2023 ("Reporting Period").

BUSINESS REVIEW

2023 was another year of strong performance for Yadea. Despite the macroeconomic challenges and the intensification of competition in the industry, the Group steadily expanded its market share in the PRC and continued to achieve outstanding business results. The Group's revenue grew by approximately 11.9% from RMB31,059.4 million in 2022 to RMB34,762.8 million in 2023, which was primarily driven by the high sale volume of electric bicycles and batteries and chargers. This increase was a result of (i) the expansion of product mix catering to cover different customer segments and needs, (ii) the increase of marketing activities, and (iii) the broadening of the Group's sales network. The Group sold an aggregate of approximately 16.5 million units (comprised of 4.9 million units of electric scooters and 11.6 million units of electric bicycles) of electric two-wheeled vehicles during the year, up by approximately 17.9% from the previous year. It has maintained its leading position in electric two-wheeled vehicles industry globally for six consecutive years in terms of annual sales volume.

Yadea's remarkable growth is attributed not only to its industry insights and extensive experience but also to its unwavering commitment to technological innovation and green commuting lifestyle. In order to enhance the core competitiveness of its products, Yadea continues to invest in developing new models of electric two-wheeled vehicle and electric bicycle with advanced performance characteristics and new technology for core parts and components. The Group introduced 33 new models of electric bicycles and 16 new models of electric scooters with enhanced exterior designs, smart features and advanced performance characteristics in 2023. Yadea's achievements on the green technology front is notably evident in its battery technology. In addition to its successful development of graphene battery, Yadea released its first-generation sodium-ion battery, "Extreme Sodium No. 1", along with its matching vehicle, the YADEA Extreme Sodium G25 in 2023. Compared to lead-acid and lithium-ion batteries, "Extreme Sodium No. 1" boasts major performance advantages: exceptional safety, long lifespan, rapid charging, excellent low-temperature endurance, and extraordinary power. This milestone signifies a major step forward toward Yadea's long-term goal of creating a green commuting lifestyle through technological innovation in the electric two-wheeled vehicle industry.

Throughout the year, the Group continued to make efforts in promoting "Yadea" brand globally. Yadea is a Regional Supporter of FIFA Women's World Cup 2023™ in Asia-Pacific, which is a third time of cooperation which FIFA after the FIFA World Cup Russia 2018™ and the FIFA World Cup Qatar 2022™. It also participated in world-class exhibitions such as CES, EUROBIKE, IFA and EICMA Motor Expo, showcasing Yadea's high-performance e-scooter models and electric motorcycles. Yadea is also the Official Supplier of Electric Bicycle for the Hangzhou Asian Games. To deeply implement the carbon peaking and carbon neutrality goals and practice the concept of green hosting, the Hangzhou Asian Games has proposed the target of creating the first carbon-neutral Asian Games. Yadea Modern is designated to be the usage of daily operations and travel needs inside the Asian Games venues. The management believes such designation confirms the sustainability brought by Yadea products. Continuous participation in these world-class exhibitions and events not only solidifies Yadea's position as an industry front-runner, but also says its dedication in mobility and green technology upgrading.

As part of its ongoing efforts to solidify its leading position in the electric two-wheeled vehicle market in the PRC, the Group continues to broaden its distribution network and deepen its market penetration. As at 31 December 2023, the Group has more than 4,000 distributors as well as their sub-distributors with over 40,000 points of sales (2022: over 32,000 points of sales) in the PRC, covering almost every administrative region of the PRC. To prefect the customer experience, the Group has improved the management of its domestic distributors, particularly in the area of after-sales and maintenance services by encouraging, supporting and guiding distributors using only batteries, core parts and components produced by Yadea for replacements. This not only ensures that Yadea's products are maintained to original specifications and eliminates the potential risks associated with using subpar alternatives, but also allows the Group to tap into the aftermarket business. Regarding its international distribution network, Yadea has established distribution channels in over 90 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.

OUTLOOK

Given the fast evolving and competitive nature of the PRC electric two-wheeled vehicles market, the Group will focus on differentiating its products by allocating more resources in research and development of the new technology for core parts and components. It will also improve cost-efficient by implementing platform-based engineering system through which designs of new models may be easily adaptable to its existing production lines, promoting the vertical integration of the supply chain and optimizing distribution channels, and expanding market opportunities by developing the aftermarket business.

Furthermore, as the global market for electric mobility continues to expand at a rapid pace, the Group will actively expand business and enhance its presence in the existing markets and entering new markets which have high growth potential, particularly Southeast Asia market. In early 2024, Yadea held a groundbreaking ceremony for its production plant in the Vietnam, covering an area of 232,200 square metres in Tan Hung Industrial Park, Lang Giang district of Bắc Giang. The production plant is scheduled to commence operations in 2025, with a designed capacity of two million electric motorcycles per year. About 30% of the production plant's output will be exported to other countries in Southeast Asia, including the Philippines, Thailand, Malaysia, and Laos. The management is confident that the Group will be able to replicate its success in China in Southeast Asia market, enhance Yadea's value and bring outstanding returns to the shareholders of the Company.

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
19 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB34,762.8 million in 2023, representing an increase of approximately 11.9% from RMB31,059.4 million in 2022, primarily due to the high sale volume of electric bicycles and batteries and chargers resulting from (i) the expansion of product mix catering different customer segments and needs, (ii) the increase of marketing activities, and (iii) the broadening of sales network of the Group.

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

	For the year ended 31 December 2023			For the year ended 31 December 2022		
	Revenue RMB'000	**% of total**	**Volume '000 units**	Revenue RMB'000	% of total	Volume '000 units
Product Type						
Electric bicycles	**15,952,107**	**45.9**	**11,561.1**	12,827,456	41.3	8,976.0
Electric scooters	**8,635,319**	**24.8**	**4,960.4**	9,145,187	29.5	5,034.2
Subtotal	**24,587,426**	**70.7**	**16,521.5**	21,972,643	70.8	14,010.2
Batteries and chargers	**9,249,600**	**26.6**	**Batteries: 17,268.6 Chargers: 15,284.7**	8,397,775	27.0	Batteries: 14,989.9 Chargers: 11,181.4
Electric two-wheeled vehicle parts	**925,731**	**2.7**	**–**	689,025	2.2	–
Total	**34,762,757**	**100.0**	**49,074.8**	31,059,443	100.0	40,181.5

Sales volume of electric scooters decreased by approximately 1.5% from approximately 5,034,000 units in 2022 to approximately 4,960,000 units in 2023, and the sales volume of electric bicycles increased by approximately 28.8% from approximately 8,976,000 units in 2022 to approximately 11,561,000 units in 2023, primarily attributable to the change of customer preference and significant improvement of design, feature and performance of electric bicycles, and the expansion of product mix catering different customer segments and needs.

Segment information

For management purpose, the Group is organised into two operating segments from a product perspective. 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.

The segment information for the reportable segments for the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December 2023				Year ended 31 December 2022			
	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	**34,543,555**	**4,631,290**	**(4,412,088)**	**34,762,757**	30,409,109	3,870,034	(3,219,700)	31,059,443
Total segment cost	**(29,278,975)**	**(3,998,418)**	**4,399,876**	**(28,877,517)**	(25,094,195)	(3,543,598)	3,192,361	(25,445,432)
Gross profit	**5,264,580**	**632,872**		**5,885,240**	5,314,914	326,436		5,614,011

Cost of sales

Cost of sales of the Group increased by approximately 13.5% from RMB25,445.4 million in 2022 to RMB28,877.5 million in 2023, which was due to the increase in total sales volume and generally in line with the increase in the revenue.

Gross profit and gross profit margin

As a result of the foregoing, gross profit for the Group increased by approximately 4.8% from RMB5,614.0 million in 2022 to RMB5,885.2 million in 2023. The gross profit margin decreased by approximately 6.6% from approximately 18.1% in 2022 to approximately 16.9% in 2023, primarily attributable to the expansion of product mix catering different customer segments and needs.

Other income and gains, net

Other income and gains of the Group increased by approximately 115.9% from RMB453.7 million in 2022 to RMB979.8 million in 2023, primarily attributable to increase in government grants, bank interest income and super-deduction of value-added-tax.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 5.7% from RMB1,358.2 million in 2022 to RMB1,435.5 million in 2023, primarily attributable to the increase in employee benefits expenses, travelling expenses and other expenses.

Administrative expenses

Administrative expenses of the Group increased by approximately 23.4% from RMB896.1 million in 2022 to RMB1,105.4 million in 2023, primarily attributable to the increase in employee benefits expenses, travelling expenses and consulting and professional service expenses.

Research and development costs

Research and development costs increased by approximately 7.8% from RMB1,105.8 million in 2022 to RMB1,192.0 million in 2023, primarily attributable to the increase in employee benefits expenses, raw materials and consumables used and other expenses.

Finance costs

Finance costs of the Group consist of interest charge for borrowings, interest charges for lease liabilities and other interest expenses. Finance costs decreased by approximately 25.5% from RMB59.4 million in 2022 to RMB44.2 million in 2023, primarily attributable to the decrease in interest charge for borrowings due to the decrease in bank borrowings.

Income tax expense

Income tax expense decreased by approximately 12.1% from RMB432.3 million in 2022 to RMB379.8 million in 2023, primarily attributable to the recognition of the deferred tax assets related to the accumulated tax losses in prior years.

Profit for the year

As a result of the cumulative effect of the foregoing, profit of the Group increased by approximately 20.9% from RMB2,183.0 million in 2022 to RMB2,640.2 million in 2023.

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow

As of 31 December 2023, cash and cash equivalents amounted to approximately RMB7,913.8 million, representing an increase of approximately 16.7% from approximately RMB6,782.6 million as of 31 December 2022.

Net cash inflow generated from operating activities was approximately RMB3,580.1 million in 2023, as compared with net cash inflow generated from operating activities of approximately RMB3,078.4 million in 2022. Net cash outflow used in investing activities was approximately RMB430.3 million in 2023, as compared with net cash outflow used in investing activities of approximately RMB2,056.0 million in 2022. Net cash outflow used in financing activities was approximately RMB2,036.9 million in 2023, as compared with net cash outflow used in financing activities of approximately RMB379.4 million in 2022.

The Group's primary source of funding comes from cash flows generated from its operating activities. As at 31 December 2023, the Group recorded borrowings of approximately RMB267.3 million with fixed interests at a range of 0.9% to 2.02%, 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, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Net current assets

As at 31 December 2023, the Group had net current assets of RMB445.6 million, as compared with net current liabilities of RMB125.4 million as at 31 December 2022.

Inventories

The Group's inventories consist of raw materials, work in progress and finished goods. The Group's inventories decreased by approximately 34.5% from RMB1,458.0 million as at 31 December 2022 to RMB955.4 million as at 31 December 2023, primarily attributable to the reduction of battery stock. The average inventory turnover days in 2023 decreased to 15.04 days from 18.8 days in 2022, primarily due to the reduction of the Group's stock of raw materials and batteries.

Trade receivables

Trade receivables increased by approximately 40.6% from RMB388.3 million as at 31 December 2022 to RMB545.9 million as at 31 December 2023, primarily attributable to the increase in the number of distributors with credit.

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 2023, each of such investments has a value of less than 5% of the total assets of the Group and none of such investments constituted a notifiable transaction of the Company. The aggregated value of the financial assets at FVTPL decreased by approximately 33.7% from RMB4,208.5 million as at 31 December 2022 to RMB2,789.8 million as at 31 December 2023, which was primarily attributable to redemption of the wealth management products and structured deposits upon the end of the term of investments. For the year ended 31 December 2023, the Company recorded a gain in fair value of the financial assets at FVTPL of approximately RMB103.7 million in the consolidated statement of profit or loss and other comprehensive income. The Company's subscription for the wealth management products and structured deposits is for treasury management purpose in order to maximise the utilisation of its surplus cash received from its business operations, with a view to achieving balanced yields whilst maintaining high liquidity and a low level of risk.

Trade and bills payables

Trade and bills payables increased by approximately 0.6% from RMB13,592.9 million as at 31 December 2022 to RMB13,672.2 million as at 31 December 2023, 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 2023, the gearing ratio of the Group is 9.9% (31 December 2022: 26.8%).

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 2023, the Group had 12,338 employees, as compared with 11,825 employees as at 31 December 2022, mainly due to the expansion of overseas business and new hirings for production and research and development departments. Total staff costs, including labour outsourcing cost but excluding the Directors' remunerations, were RMB2,707.6 million in 2023, representing an increase of approximately 16.9% from RMB2,315.3 million in 2022, 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 2023, 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 2023, the pledged assets of the Group amounted to RMB4,118.6 million (2022: RMB5,438.0 million).

SIGNIFICANT INVESTMENT, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2023, there were no 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.

EVENTS AFTER THE REPORTING PERIOD

On 17 March 2024, Zhejiang Huayu Sodium Electric New Energy Technology Co., Ltd.* (浙江華宇鈉電新能源科技有限公司) (the "**Purchaser**"), a subsidiary of the Company, entered into a set of SPAs with the various Vendors in relation to acquiring the entire equity interest in Wuxi Lingbo Electronic Technology Co., Ltd.* (無錫淩博電子技術股份有限公司) (the "**Target Company**") at a total cash consideration of approximately RMB351.5 million (the "**Acquisition**"). Upon the completion of the Acquisition, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiry, each of the Vendors is a third party independent of the Company and its subsidiaries, and their respective connected persons.

For details of the Acquisition, please refer to the announcement of the Company dated 17 March 2024 (the "**Voluntary Announcement**"). Unless the context otherwise requires, capitalised terms used in this section shall have the same meanings as those defined in the Voluntary Announcement.

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

* For identification purposes only

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report of the Group for the year ended 31 December 2023.

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 of the Company ("**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 C1 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 2023, 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 C3 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 throughout the year ended 31 December 2023.

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. Wong Lung Ming Mr. Chen Mingyu (appointed with effect from 16 June 2023) Ms. Ma Chenguang (appointed with effect from 16 June 2023) Ms. Liang Qin (appointed with effect from 16 June 2023)

The biographical information of the Directors are set out in the section headed "Directors & Senior Management Profiles" from page 28 to page 30 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 2023, 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. Dong Jinggui and Ms. Qian Jinghong were re-elected as executive Directors at the annual general meeting held on Friday, 16 June 2023 (the "**2023 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. Chen Mingyu, Ms. Ma Chenguang and Ms. Liang Qin has entered into an appointment letter with the Company on 16 June 2023 for an initial term of three years commencing on 16 June 2023. They were all appointed as independent non-executive Directors at the 2023 AGM, respectively.

Mr. Li Zongwei and Mr. Yao Naisheng resigned as independent non-executive Directors with effect from 16 June 2023 due to their personal pursuits. Mr. Wu Biguang resigned as an independent non-executive Director with effect from 16 June 2023 by complying with the best corporate governance standard, as he will have served the Board for more than nine (9) years.

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. Shen Yu, Mr. Wong Lung Ming, Mr. Chen Mingyu, Ms. Ma Chenguang and Ms. Liang Qin, will retire and being eligible, offer themselves for re-election at the annual general meeting to be held on Monday, 17 June 2024 (the "**2024 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 2023, each Director namely Mr. Dong Jinggui, Ms. Qian Jinghong, Mr. Shen Yu, Mr. Zhang Yiyin, Mr. Li Zongwei (resigned with effect from 16 June 2023), Mr. Wu Biguang (resigned with effect from 16 June 2023), Mr. Yao Naisheng (resigned with effect from 16 June 2023), Mr. Wong Lung Ming, Mr. Chen Mingyu, Ms. Ma Chenguang and Ms. Liang Qin 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.

During the year ended 31 December 2023, the key methods of attaining continuous professional development by each of the Directors are summarised as follows:

Name of Directors	Attending courses/ seminars	Reading regulatory material
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 (resigned with effect from 16 June 2023)	√	√
Mr. Wu Biguang (resigned with effect from 16 June 2023)	√	√
Mr. Yao Naisheng (resigned with effect from 16 June 2023)	√	√
Mr. Wong Lung Ming	√	√
Mr. Chen Mingyu (appointed with effect from 16 June 2023)	√	√
Ms. Ma Chenguang (appointed with effect from 16 June 2023)	√	√
Ms. Liang Qin (appointed with effect from 16 June 2023)	√	√

(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 2023 is set out in the table below:

Director	Attendance/Number of Meetings				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
Executive Directors					
Mr. Dong Jinggui *(Chairman)*	3/3	1/1	–	–	1/1
Ms. Qian Jinghong *(Chief executive officer)*	3/3	1/1	–	–	1/1
Mr. Shen Yu	3/3	–	–	–	1/1
Non-executive Director					
Mr. Zhang Yiyin	3/3	1/1	2/2	3/3	1/1
Independent Non-executive Directors					
Mr. Wong Lung Ming	3/3	1/1	2/2	3/3	1/1
Mr. Chen Mingyu (appointed on 16 June 2023)	1/1	0/0	–	2/2	1/1
Ms. Ma Chenguang (appointed on 16 June 2023)	1/1	0/0	0/0	2/2	1/1
Ms. Liang Qin (appointed on 16 June 2023)	1/1	0/0	0/0	2/2	1/1
Mr. Li Zongwei (resigned on 16 June 2023)	2/2	1/1	–	1/1	1/1
Mr. Wu Biguang (resigned on 16 June 2023)	2/2	1/1	2/2	1/1	1/1
Mr. Yao Naisheng (resigned on 16 June 2023)	2/2	1/1	2/2	1/1	1/1

Note: The attendance is calculated based on the respective number of meetings where the relevant Director is eligible to attend.

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 2023.

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. Wong Lung Ming, Mr. Chen Mingyu, Ms. Ma Chenguang and Ms. Liang Qin.

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 three female Directors, achieving female directors representation in the Board. 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 2023, approximately 68% of the Group's total workforce (including senior management) are males and approximately 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 2023, the Nomination Committee held 1 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 2023 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, Ms. Ma Chenguang (chairman of the Remuneration Committee), Mr. Wong Lung Ming and Ms. Liang Qin.

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 2023 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 31 to page 32 of this annual report:

Range of Remuneration	No. of Person
Nil to RMB1,000,000	/
RMB1,000,001 to RMB1,500,000	/
RMB1,500,001 to RMB2,000,000	3
Over RMB2,000,000	2

For the year ended 31 December 2023, the Remuneration Committee held two (2) meetings 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) discuss and make recommendation to the Board on the granting of Share options to employees.

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. Chen Mingyu (chairman of the Audit Committee), Mr. Wong Lung Ming, Ms. Ma Chenguang and Ms. Liang Qin, 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 2023.

For the year ended 31 December 2023, the Audit Committee held three (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 2022;

   (ii) the annual results announcement of the Group for the year ended 31 December 2022;

   (iii) the annual report of the Company for the year ended 31 December 2022;

   (iv) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023;

   (v) the interim results announcement of the Group for the six months ended 30 June 2023; and

   (vi) the interim report of the Company for the six months ended 30 June 2023.

(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 2023 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 2023 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 2023 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 2023.

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 51 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 51 to page 52 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 2023 is set out below:

Service Category	Fee paid/payable RMB'000
Audit services	**6,300**
Non-audit services (tax services)	**449**
Total	**6,749**

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 2023, 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

As at 31 December 2023, 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 2023. The biographical details of Mr. Shen Yu and Mr. Leung Chi Kit are set out on page 32 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

There was no change in the Articles of Association during the year ended 31 December 2023.

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 C2 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 will be available on the Group's website and the website of the Stock Exchange at the same time as the publication of this annual report.

DIRECTORS & SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. Dong Jinggui (董經貴), aged 55, 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 has approximately 22 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 52, 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 has approximately 22 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 49, 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 public 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 Southeast University (東南大學) with a master's degree in Business Administration in June 2013.

Non-Executive Director

Mr. Zhang Yiyin (張禕胤), aged 41, was appointed as the non-executive Director on 29 April 2019. Mr. Zhang 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, he is also the deputy secretary of Shanghai Internet Industrial Investment Alliance (the "**Alliance**") and the entrepreneurship mentor and investment consultant of the Alliance. 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. In 2007, Mr. Zhang was the business and economics officer of Consulate General of the Netherlands in Shanghai.

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. Wong Lung Ming (黃隆銘), aged 66, 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 had served as the adjunct associate professor of Institute for China Business in the University of Hong Kong, 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.

Mr. Chen Mingyu (陳明宇), aged 61, was appointed as the independent non-executive Director on 16 June 2023. Mr. Chen is responsible for supervising and providing independent judgement to the Board. He is currently the managing partner of D&E (Beijing) Business Consulting Co., Ltd, a finance, tax and business advisory service firm, and a visiting professor in the Executive Masters in Business Administration program at PBC School of Finance of Tsinghua University. Having been a tax and business advice partner in Deloitte Touche Tohmatsu, Ernst & Young and KPMG, Mr. Chen has over 30 years of experience in providing finance, tax and business advisory services to numerous large enterprises. The scope of services mainly involves the integration of cross-border investment and financing structures of large enterprises, investment repatriation strategies, asset disposal, tax supply chain management, corporate merger and reorganization, due diligence, project evaluation, corporate valuation, transaction negotiation support, transfer pricing, stock options, wealth management for high-net-worth individuals and other professional advisory services. Mr. Chen is currently also an independent director of GHY Culture & Media Holding Co., Ltd. (a company listed on the Singapore Stock Exchange, stock code: XJB), China National Pharmaceutical Group Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600511) and Fujian Cosunter Pharmaceutical Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300436).

Mr. Chen has a master's degree in Business Administration from Fordham University, and is a certified tax agent in the PRC since 2000.

Ms. Ma Chenguang (馬晨光), aged 46, was appointed as the independent non-executive Director on 16 June 2023. Ms. Ma is responsible for supervising and providing independent judgement to the Board. She has been serving as a senior partner of Shanghai Co-effort Law Firm since January 2003 and has served as the legal specialist of Shanghai Yidong Construction Development Co., Ltd. from 2000 to 2003.

Ms. Ma has assumed various social responsibilities and roles, such as being, a member of the Standing Committee of the Shanghai Pudong New Area People's Congress, the deputy chairman of the Shanghai Pudong District Committee of the China Zhigong Party, the deputy director of the Financial Professional Committee of the All China Lawyers Association, a director of the Fund Committee of the Financial Law Research Association of the Shanghai Law Society, a director of the Fund Business Research Committee of Shanghai Lawyers Association, the legal advisor of the Shanghai Pudong New Area Committee of the Communist Party of China, the legal advisor of the Shanghai Pudong New Area People's Government and China (Shanghai) Pilot Free Trade Zone Management Committee, an arbitrator of the Shanghai Arbitration Commission, an arbitrator of Shanghai International Economic and Trade Arbitration Commission, and a postgraduate tutor at Fudan University, East China University of Political Science and Law, and Shanghai University of International Business and Economics.

Ms. Ma won the titles of the 4th "Oriental Lawyer", "Shanghai Excellent Lawyer" and "National Thousand Foreign Lawyers" in 2019; awarded the "Top Ten Financial Lawyers in China" by "Chief Legal Officer" in 2018; awarded as "China's Best Female Lawyer" by Thomson Reuters (ALB) in 2017; awarded as "Shanghai 8th March Red Banner Pacesetter" in 2015; awarded as "Shanghai Outstanding Young Lawyer" in 2014; and won the title of "Shanghai Pudong New Area Top Ten Outstanding Young Lawyers" in 2009. Ms. Ma has been classified as a band 1 lawyer by Chambers and Partners (Greater China Region, Corporate/Commercial: Shanghai) for several consecutive years, and was on the 2020 "A-List Legal Elite" list of "Business Law", 2021 LEGALBAND Billboard: Top 15 Innovative Lawyers, "IFLR1000 China" 2022 Regional List Leading Lawyer in the field of private equity (Leading Lawyer), and IFLR1000 China 2022/23 List of highly recommended lawyers in the field of merger and acquisition.

Ms. Ma graduated from the Law School of Dalian Maritime University in July 2000, and obtained an on-the-job postgraduate degree from the Law School of Fudan University in February 2012.

Ms. Liang Qin (梁勤), aged 52, was appointed as the independent non-executive Director on 16 June 2023. Ms. Liang is responsible for supervising and providing independent judgement to the Board. She is a senior economist with a college degree. Ms. Liang started work in July 1989. Ms. Liang is currently a member of the 12th and 13th Executive Committee of All-China Federation of Industry and Commerce, a standing member of the 12th Executive Committee of Jiangsu Federation of Industry and Commerce, the vice president of Jiangsu General Chamber of Commerce, a member of the Standing Committee of Yangzhou Municipal People's Congress, and the vice president of Yangzhou Women Entrepreneurs Association.

Ms. Liang worked in Yangzhou Hotel Labor Union from September 1989 to April 1993; served as the general manager in Yangzhou Yangjie Electronic Co., Ltd. from March 2000 to August 2006; served as the chairwoman of Yangzhou Yangjie Electronic Technology Co., Ltd. from August 2006 to April 2011; and has been serving as the chairwoman of Yangzhou Yangjie Electronic Technology Co., Ltd. since April 2011.

Ms. Liang has been awarded many honorary tiles, such as "National Excellent Private Entrepreneur who Cares for Employees", "National Excellent Entrepreneur in Electronic Information Industry", "National Women Model for Merit Achievement", "Jiangsu Province Model Worker", "Jiangsu Province Excellent Young Entrepreneur", "Jiangsu Province Excellent Private Female Entrepreneur", "Jiangsu Province the Fifth Outstanding Builder of Socialist Cause with Chinese Characteristics", Jiangsu Province Women's Federation "Charity Donation Advanced Individual", Jiangsu Province "8th March Red Banner Pacesetter", "Yangzhou Top Ten Economic News Figures", "Yangzhou Top Ten Meritorious Hero", and "Yangzhou Talent Cultivation Program Phase I Young and Middle-aged Outstanding Entrepreneurs" etc.

Ms. Liang studied at Yangzhou Technician College majoring in electronic instruments from September 1986 to July 1989, and studied in Yangzhou University majoring in electrical technology from September 1993 to June 1997.

SENIOR MANAGEMENT

Mr. Shi Rui (石銳), aged 47, 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 46, joined the Group in February 1999 as an officer. Mr. Wang has been the senior vice president of the Group since October 2023, and is responsible for global sales and marketing and service management of the Group. He was the president of the Group from November 2021 to September 2023 and responsible for the overall operation and management of the Group's domestic business, and the vice president of the Group from April 2017 to October 2021. Mr. Wang was the general manager of the Tianjin branch of Jiangsu Yadea between September 2006 and May 2013, 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**") from October 2014 to December 2016. He was also the executive director of Tianjin Industry from January 2011 to January 2016, and the executive director of Tianjin Weiye from September 2009 to January 2016.

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 41, joined the Group in May 2000 as an officer. Mr. Zhou has been the senior vice president of the Group since October 2023, and is responsible for overall operation and management of the Group. He was the president of the Group from October 2022 to September 2023 and responsible for the overall operation and management of sales department of the Group, and the vice president of the Group from October 2020 to September 2022. Mr Zhou was the general manager of Yadea Sales from April 2016 to January 2019, the general manager of the Group's Wuxi facility from October 2014 to December 2015, and the general manager of Guangdong Yadea Motorcycle Co., Ltd.* (廣東雅迪機車有限公司) from August 2010 to October 2014.

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. He has also obtained bachelor's degree in business administration through an online program at Jiangnan University in January 2018.

* For identification purposes only

Mr. Zhou Chao (周超), aged 44, joined the Group in May 2007. Mr. Zhou has been the senior vice president of the Group since October 2023, and is responsible for global product research and development of the Group. He was the president of the Group from October 2022 to September 2023 and responsible for the overall operation and management of the Group's overseas business, and the vice president of the Group from March 2018 to September 2022. Mr. Zhou was the general manager of Guangdong branch from October 2014 to November 2017 and 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 50, Mr. Wang has been the general manager of Indonesia production base since October 2023. 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 from October 2014 to March 2022 and responsible for the operation of research and development centre of the Group, and the general manager of the Group's Wuxi production base from April 2022 to September 2023.

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 12 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 2023.

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 ESG Report, which will be available on the Group's website and the website of the Stock Exchange at the same time as the publication of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company was established in the Cayman Islands with its principal business conducted in the PRC, and its Shares 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.

Save as disclosed above, for the year ended 31 December 2023 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 ESG Report, which will be available on the Group's website and the website of the Stock Exchange at the same time as the publication of 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 2023 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 2023 and for the preceding four financial years are set out on pages 5 to 6 of this annual report.

RESERVES

As at 31 December 2023, distributable reserves of the Group amounted to RMB8,424.2 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 57 of this annual report.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of 48.0 HK cents per ordinary Share for the year ended 31 December 2023 (the "**Proposed Final Dividend**") (for the year ended 31 December 2022: 40.0 HK cents). Eligible Shareholders of the Company will be given an option to elect to receive the final dividend all in cash or all in new Shares or partly in new Shares and partly in cash (the "**Scrip Dividend Scheme**"). The circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to Shareholders around 10 July 2024. The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend at the 2024 AGM and the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be issued under the Scrip Dividend Scheme.

The final dividend warrants and the share certificates for the new Shares (in case the eligible Shareholders have elected to receive part or all their final dividend in the form of new Shares) to be issued under the Scrip Dividend Scheme are expected to be despatched to the Shareholders of the Company at their own risk on or around 19 August 2024.

As at 31 December 2023, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

ANNUAL GENERAL MEETING

The 2024 AGM will be held on Monday, 17 June 2024. Notice of the 2024 AGM will be published and issued to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Wednesday, 12 June 2024 to Monday, 17 June 2024, both dates inclusive, during which time no transfer of Shares will be registered. To qualify for attending and voting at the 2024 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 Tuesday, 11 June 2024 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 Tuesday, 25 June 2024 to Friday, 28 June 2024, 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 Monday, 24 June 2024 for registration of the relevant transfer.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2023 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 2023 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 21 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 more than 4,000 distributors as well as their sub-distributors with over 40,000 points of sales as at 31 December 2023. In respect of international distribution, Yadea has established distribution channels in over 90 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 2023, 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 13 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 90 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 12 of this annual report.

Financial Risk

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

IMPORTANT EVENTS

Save as disclosed above, there were no important events during the year ended 31 December 2023. 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 13 of this annual report.

FUTURE DEVELOPMENT

2024 is a year of challenges and opportunities. In view of the fast evolving and competitive nature of the PRC electric two-wheeled vehicles market, the Group will focus on differentiating its products by allocating more resources in research and development of the new technology for core parts and components. It will also improve cost-efficient by implementing platform-based engineering system through which designs of new models may be easily adaptable to its existing production lines, promoting the vertical integration of the supply chain and optimizing distribution channels, and expanding market opportunities by developing the aftermarket business. Furthermore, as the global market for electric mobility continues to expand at a rapid pace, the Group will actively expand business and enhance its presence in the existing markets and entering new markets which have high growth potential, particularly Southeast Asia market. The management is confident that the Group will be able to replicate its success in China in Southeast Asia market, enhance Yadea's value and bring outstanding returns to the Shareholders.

FINANCIAL KEY PERFORMANCE INDICATORS

For the Reporting Period, revenue increased by approximately 11.9% to RMB34,762.8 million as compared with the year ended 31 December 2022. Profit attributable to the owners of the Company increased by approximately 22.2% to RMB2,640.2 million as compared with the year ended 31 December 2022. Basic earnings per Share increased by approximately 19.6% to RMB88.5 cents as compared with the year ended 31 December 2022.

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.

As at 31 December 2023, there were no changes to the intended use of Net Proceeds from Placing and the analysis of the utilisation of the Net Proceeds from Placing is as follows:

	Remaining balance (RMB million)
Net Proceeds from Placing	**727.8**
Actual Use of Net Proceeds from Placing up to 31 December 2023	
Building overseas research and development centers, manufacturing facilities, distribution networks	**144.1**
Potential mergers and acquisitions	**0**
Remaining balance	**583.7**

The Company expects to fully utilise the Net Proceeds from Placing before 31 December 2025.

CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group had not entered into any one-off connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2023 are set out in note 42 to the consolidated financial statements.

The Directors believe that 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).

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

In August 2023 and December 2023, the Company has purchased from the market a total of 950,000 Shares at an aggregate consideration of approximately HKD12.8 million (highest price per Share: HKD14.38; lowest price per Share: HKD12.84) for the share award schemes adopted by the Company.

Save as disclosed above, during the year ended 31 December 2023, 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 11 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 2023.

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 2023.

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 (resigned with effect from 16 June 2023) Mr. Wu Biguang (resigned with effect from 16 June 2023) Mr. Yao Naisheng (resigned with effect from 16 June 2023) Mr. Wong Lung Ming Mr. Chen Mingyu (appointed with effect from 16 June 2023) Ms. Ma Chenguang (appointed with effect from 16 June 2023) Ms. Liang Qin (appointed with effect from 16 June 2023)

In accordance with the Articles of Association and the CG Code, Mr. Shen Yu, Mr. Wong Lung Ming, Mr. Chen Mingyu, Ms. Ma Chenguang and Ms. Liang Qin will retire and being eligible, offer themselves for re-election at the 2024 AGM to be held on Monday, 17 June 2024.

None of the Directors proposed for re-election at the forthcoming 2024 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 2023.

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 2023.

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 2023, 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	**1,913,776,943 (L)**	**62.46%**
Ms. Qian Jinghong (Notes 2 & 3)	Interest of controlled corporation/ interest of concert parties	**1,913,776,943 (L)**	**62.46%**

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 514,378,859 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 2023.

(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 2023, 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 2023 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 2023, 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	1,913,776,943 (L)	62.46%
Fang Yuan (Notes 2 & 3)	Beneficial interest/interest of concert parties	1,913,776,943 (L)	62.46%

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 2023.

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.

On 17 January 2023, a total of 33,550,000 share options were granted by the Company to 263 employees (excluding senior management) 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. As at 31 December 2023, there were in aggregate 31,740,000 share options outstanding. A total of 300,000,000 options is available for grant under the General Scheme Limit as of 1 January 2023 and a total of 266,450,000 options is available for grant under the General Scheme Limit as of 31 December 2023.

A resolution will be proposed to the Shareholders at forthcoming 2024 AGM to terminate the Share Option Scheme, and 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. For further details of the proposed adoption of new share option scheme, please refer to the circular of the Company dated 25 April 2024.

Upon the termination of the Share Option Scheme, no further options shall be offered or granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

For the avoidance of doubt, any Shares which may be issued upon the exercise of all outstanding Share options (to the extent not already exercised) granted under the Share Option Scheme shall not be subject to the scheme mandate limit under Chapter 17 of the Listing Rules.

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. As such, the Board may determine the vesting period and the terms and conditions on which the awarded Shares shall vest in the Selected Participant. No amount is payable on acceptance of the grant of award under the First Share Award Scheme. The Board may in its absolute discretion determine the amounts to be applied for the purchase and/or allocation of awarded Shares in respect of the Selected Participant(s). In addition, the purchase price, if any, shall be determined by the Board in its absolute discretion.

On the First Adoption 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.

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.

A resolution will be proposed to the Shareholders at the forthcoming 2024 AGM to terminate the First Share Award Scheme.

On 9 January 2020 and 20 January 2022, a total of 39,087,461 Shares were awarded to certain members of senior management and other employees of the Group under the First Award Scheme, of which 3,000,000 Shares had yet to be vested in accordance with the terms of the First Award Scheme as at the date of this annual report. The vesting period of unvested 3,000,000 Shares is one year (i.e. April 2024 to April 2025).

Upon termination, no further award may be granted under the First Award Scheme, and all awarded Shares and their related income shall become vested on the selected participant so referable on such date of termination, subject to the fulfilment of the performance targets by such selected participant, if any, and the determination by the Board, the receipt by the trustee of the First Award Scheme of the duly executed vesting documents and payment of the vesting expenses (as applicable) by the selected participant within the stipulated period. The returned Shares and such non-cash income remaining in the trust fund of the First Award Scheme shall be sold by its trustee, within 20 business days (on which the trading of the Shares has not been suspended) of receiving notice of such termination of the First Award Scheme. The residual cash, net sale proceeds of the returned Shares and such other funds remaining in the trust of the First Award Scheme (after making appropriate deductions in respect of all disposal costs, liabilities and expenses in accordance with the trust deed) shall be remitted to the Company forthwith after the sale.

For further details, please refer to the circular of the Company dated 25 April 2024.

(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. No amount is payable on acceptance of the grant of award under each of the Second and Third Share Award Schemes. The Board may in its sole discretion determine the award price of the awarded Shares. The awarded Shares shall only vest after, amongst others, the Board confirms receipt of the payment, which is equivalent to the award price determined by the Board multiplied by the number of awarded Shares, made by the grantee of the awarded Shares.

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

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.

A resolution will be proposed to the Shareholders at the forthcoming 2024 AGM to terminate the Second and Third Share Award Schemes.

On 9 January 2020 and 20 January 2022, a total of 44,112,539 Shares were awarded to certain members of senior management and other employees of the Group under the Pool B Awards (as defined in the announcement of the Company dated 6 June 2019), which were all vested in accordance with the terms of the Second and Third Award Schemes.

As at 31 December 2023 and as at the date of this annual report, the Company had not granted any Pool A Awards (as defined in the announcement of the Company dated 6 June 2019) and no awards had been satisfied by subscribing new Shares under the Company's general mandate or specific mandate.

Upon termination, no further award may be granted under the Second and Third Award Schemes. For further details, please refer to the circular of the Company dated 25 April 2024.

(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.

In respect of the Fourth Share Award Scheme, the letter (and/or any such notice or document as the Board may from time to time determine) addressed to the Selected Employees notifying them of the grant of the award shall specify, amongst others, the manner of acceptance of the award and other terms and conditions that the Board may determine at its discretion. Therefore, the Board may determine the amounts, if any, payable on acceptance of the grant of award. 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. In the letter (and/or any such notice or document as the Board may from time to time determine) addressed to the Selected Employees notifying them of the grant, the Board may specify other terms and conditions that the Board may determine at its discretion. Therefore, the Board may specify the purchase price at its discretion.

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 five years and three 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 2023, the Company contributed approximately RMB11.7 million for financing purchases of 950,000 Shares, which are currently held under the share award schemes.

The summary below sets out the details of the movements of the share awards pursuant to the share award schemes and the share options granted pursuant to the Share Option Scheme, for the year ended 31 December 2023 pursuant to the share award schemes:

Grantee	Date of grant of award	Unvested awards as at 1 January 2023	Awards granted during the year ended 31 December 2023	Vesting time	Awards vested during the year ended 31 December 2023	Purchase price	Awards cancelled during the year ended 31 December 2023	Awards lapsed during the year ended 31 December 2023	Awards forfeited during the year ended 31 December 2023	Unvested awards as at 31 December 2023	Fair value of awards at the date of grant (RMB)
Top 5 highest paid individuals (excluding Directors and senior management)											
	9 January 2020	560,000	–	2020-2023	(560,000) (Note 2)	0.89	N/A	N/A	N/A	–	1.13
	20 January 2022	8,100,000	–	2022-2026	(2,180,000) (Note 3)	3.46	N/A	N/A	N/A	5,920,000	6.82
	17 January 2023	–	660,000 (Note 1)	2024-2026 (Note 6)	–	13.89	N/A	N/A	N/A	660,000	5.56
Other employees											
	9 January 2020	27,320,000	–	2020-2023	(26,200,000) (Note 4)	0.89	N/A	N/A	(1,120,000)	–	1.13
	20 January 2022	38,250,000	–	2022-2026	(10,532,400) (Note 5)	4.89	N/A	N/A	(3,363,600)	24,354,000	5.41
	17 January 2023	–	32,890,000 (Note 1)	2024-2026 (Note 6)	–	13.89	N/A	N/A	(1,810,000)	31,080,000	5.56

Notes:

(1) The closing price of the Shares immediately before the date on which the awards were granted was HK$16.14 per Share.

(2) The weighted average closing price of the Shares immediately before the dates on which the awards were vested was HK$16.31 per Share.

(3) The weighted average closing price of the Shares immediately before the dates on which the awards were vested was HK$16.62 per Share.

(4) The weighted average closing price of the Shares immediately before the dates on which the awards were vested was HK$16.40 per Share.

(5) The closing price of the Shares immediately before the date on which the awards were vested was HK$18.96 per Share.

(6) Of the share options granted, 30% is to be vested within 15 days after the date of publication of the annual results announcement of the Company for the year ended 31 December 2023 on the website of the Stock Exchange, 30% is to be to be vested within 15 days after the date of publication of the annual results announcement of the Company for the year ended 31 December 2024 on the website of the Stock Exchange, and 40% is to be vested within 15 days after the date of publication of the annual results announcement of the Company for the year ended 31 December 2025 on the website of the Stock Exchange.

As at 1 January 2023, 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 2023, the number of Shares available for grant under the share award schemes was 70,678,139, of which 4,764,539 (representing approximately 0.16% of the issued share capital as at 31 December 2023) was under the First Share Award Scheme, and 65,913,600 (representing approximately 2.15% of the issued share capital as at 31 December 2023) was under the Fourth Share Award Scheme.

As at 31 December 2023, 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 1.12%.

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 2023, 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 24.1% and the largest supplier accounted for approximately 12.1% of the Group's total purchases for the year ended 31 December 2023.

At no time during the year ended 31 December 2023 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 2023 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 2024 AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming 2024 AGM to re-appoint PricewaterhouseCoopers as the external auditor of the Company.

On behalf of the Board
Dong Jinggui
Chairman

19 March 2024

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 53 to 126, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 2023, 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 RMB34,763 million from the sales of electric vehicles and related accessories to its customers, mainly distributors, during the year ended 31 December 2023. 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 trade receivables as of 31 December 2023 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, 19 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(All amounts in RMB unless otherwise stated)

		Year ended 31 December	
		2023	2022
	Note	**RMB'000**	RMB'000
Revenue	5	**34,762,757**	31,059,443
Cost of sales	7	**(28,877,517)**	(25,445,432)
Gross profit		**5,885,240**	5,614,011
Selling and distribution expenses	7	**(1,435,503)**	(1,358,176)
Administrative expenses	7	**(1,105,419)**	(896,135)
Research and development costs	7	**(1,192,008)**	(1,105,845)
Other income and gains – net	6	**979,772**	453,736
Operating profit		**3,132,082**	2,707,591
Finance costs	9	**(44,241)**	(59,399)
Share of losses of investments accounted for using the equity method	17	**(67,889)**	(32,925)
Profit before income tax		**3,019,952**	2,615,267
Income tax expense	11	**(379,794)**	(432,267)
Profit for the year		**2,640,158**	2,183,000
Profit for the year attributable to:			
Owners of the Company		**2,640,158**	2,161,094
Non-controlling interests		**–**	21,906
		2,640,158	2,183,000
Earnings per share			
– Basic (RMB cents per share)	12	**88.5**	74.0
– Diluted (RMB cents per share)	12	**88.0**	72.9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

(All amounts in RMB unless otherwise stated)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit for the year	**2,640,158**	2,183,000
Other comprehensive (loss)/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	**(5,461)**	66,555
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(12,278)**	5,625
Other comprehensive (loss)/income for the year, net of income tax	**(17,739)**	52,948
Total comprehensive income for the year	**2,622,419**	2,235,948
Total comprehensive income attributable to:		
Owners of the Company	**2,622,419**	2,214,042
Non-controlling interests	–	21,906
	2,622,419	2,235,948

The notes on pages 59 to 126 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023

(All amounts in RMB unless otherwise stated)

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**3,940,277**	3,291,228
Right-of-use assets	14	**1,087,831**	936,464
Intangible assets	15	**957,327**	997,042
Investments accounted for using the equity method	17	**71,333**	99,622
Equity investments at fair value through other comprehensive income	18	**353**	2,419
Prepayments, deposits and other receivables	22	**1,364,855**	1,072,295
Prepayment for acquisition of property, plant and equipment and right-of-use assets	22	**101,917**	54,020
Deferred income tax assets	23	**194,351**	62,141
Other long-term asset	24	**–**	42,440
Pledged bank deposits	26	**700,000**	800,000
Term deposits	27	**400,000**	200,000
Total non-current assets		**8,818,244**	7,557,671
Current assets			
Inventories	20	**955,438**	1,458,049
Trade receivables	19	**545,941**	388,315
Prepayments, deposits and other receivables	22	**545,916**	667,666
Financial assets at fair value through profit or loss	21	**2,789,800**	4,208,546
Debt instruments at fair value through other comprehensive income	25	**5,119**	20,093
Pledged bank deposits	26	**3,285,833**	3,869,724
Term deposits	27	**800,000**	–
Cash and cash equivalents	28	**7,913,807**	6,782,622
Total current assets		**16,841,854**	17,395,015
Total assets		**25,660,098**	24,952,686

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	23	**85,460**	64,869
Lease liabilities	14	**99,778**	82,166
Deferred income	29	**63,333**	83,202
Other non-current liabilities	30	**565,226**	500,187
Other payables and accruals	32	**48,805**	59,282
Total non-current liabilities		**862,602**	789,706
Current liabilities			
Trade and bills payables	31	**13,672,198**	13,592,878
Other payables and accruals	32	**2,107,685**	2,261,424
Contract liabilities	33	**162,401**	225,513
Borrowings	34	**267,257**	1,281,679
Lease liabilities	14	**53,666**	47,087
Income tax liabilities		**133,083**	111,805
Total current liabilities		**16,396,290**	17,520,386
Total liabilities		**17,258,892**	18,310,092
Net Assets		**8,401,206**	6,642,594
EQUITY			
Share capital	35	**192**	192
Share premium and reserves		**8,400,792**	6,642,180
Equity attributable to owners of the Company		**8,400,984**	6,642,372
Non-controlling interests		**222**	222
Total Equity		**8,401,206**	6,642,594

The notes on pages 59 to 126 are an integral part of these financial statements.

The financial statements on page 53 to 126 were approved for issue by the Board on 19 March 2024 and were signed on its behalf.

DIRECTOR
Dong Jinggui

DIRECTOR
Qian Jinghong

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(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 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	–	–	–	–	(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(f))	–	–	–	–	–	–	–	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
At 1 January 2023	**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**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,640,158**	**2,640,158**	**–**	**2,640,158**
Other comprehensive income for the year, net of income tax	**–**	**–**	**–**	**–**	**–**	**–**	**(17,739)**	**–**	**–**	**–**	**(17,739)**	**–**	**(17,739)**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(17,739)**	**–**	**–**	**2,640,158**	**2,622,419**	**–**	**2,622,419**
Dividends provided for or paid (Note 36)	**–**	**–**	**(167,665)**	**–**	**–**	**–**	**–**	**–**	**–**	**(926,944)**	**(1,094,609)**	**–**	**(1,094,609)**
Employee share schemes – value of employee services (Note 35(f))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**96,577**	**57,777**	**–**	**154,354**	**–**	**154,354**
Restricted share units vested	**–**	**–**	**121,828**	**–**	**–**	**72,816**	**–**	**(106,499)**	**–**	**–**	**88,145**	**–**	**88,145**
Repurchase of shares for share award scheme (Note 35(b))	**–**	**–**	**–**	**–**	**–**	**(11,697)**	**–**	**–**	**–**	**–**	**(11,697)**	**–**	**(11,697)**
Profit appropriations to statutory reserves	**–**	**–**	**–**	**52,845**	**–**	**–**	**–**	**–**	**–**	**(52,845)**	**–**	**–**	**–**
At 31 December 2023	**192**	**(121,024)**	**–**	**280,065**	**(14,658)**	**(210,749)**	**52,313**	**176,509**	**(185,819)**	**8,424,155**	**8,400,984**	**222**	**8,401,206**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	37	**3,992,126**	3,375,012
Income tax paid		**(411,980)**	(296,583)
Net cash generated from operating activities		**3,580,146**	3,078,429
Cash flows from investing activities			
Interest received from bank deposits		**275,693**	139,147
Purchases of property, plant and equipment and other-long term asset		**(1,169,492)**	(647,851)
Purchases of land use rights		**(147,833)**	–
Proceeds from disposal of property, plant and equipment and intangible assets		**17,261**	76,533
Purchase of intangible assets		**(18,179)**	(17,006)
Proceeds from sale of financial assets at fair value through profit or loss		**24,434,239**	65,247,419
Payment for financial assets at fair value through profit or loss		**(22,901,713)**	(65,695,708)
Payment for term deposits and pledged bank deposits		**(900,000)**	(1,202,000)
Proceeds from maturity of term deposits and pledged bank deposits		**–**	402,000
Purchase of investments accounted for using the equity method	17	**(39,600)**	(66,000)
Proceeds from disposal of investments accounted for using the equity method	6(i)	**12,500**	–
Loans to third parties and a related party	22	**(10,000)**	(8,000)
Repayment of loans by third parties and a related party	22	**16,810**	–
Payment for acquisition of subsidiaries, net of cash acquired	40	**–**	(301,968)
Proceeds from disposal of one subsidiary, net of cash disposed	6	**–**	3,099
Proceeds from government grants relating to the purchase of property, plant and equipment		**–**	14,341
Net cash used in investing activities		**(430,314)**	(2,055,994)
Cash flows from financing activities			
Proceeds from borrowings		**1,843,133**	2,222,145
Repayment of borrowings		**(2,794,855)**	(2,415,010)
Interest paid		**(10,591)**	(35,555)
Proceeds from issues of shares, net of shares issue costs	35(a)	**–**	727,842
Proceeds from restricted share units vesting		**93,133**	15,952
Transaction with non-controlling interests	41	**–**	(139,500)
Dividends paid to the Company's owners	36	**(1,094,609)**	(705,304)
Repurchase of shares	35(b)	**(11,697)**	–
Repayments of lease liabilities	37(b)	**(61,408)**	(49,959)
Net cash used in financing activities		**(2,036,894)**	(379,389)
Net increase in cash and cash equivalents		**1,112,938**	643,046
Cash and cash equivalents at beginning of the year		**6,782,622**	6,073,112
Effect of foreign exchange rate changes		**18,247**	66,464
Cash and cash equivalents at end of the year		**7,913,807**	6,782,622

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(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 MATERIAL 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 and the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

(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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New amendments and interpretation adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023. The adoption of these new standards and amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules	1 January 2023

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the financial reporting periods commencing on or after 1 January 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and Amendments to HKFRS 7	Supplier Finance Arrangements	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

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

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

(b) Associates

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

(c) Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.14.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

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

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

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

- all resulting exchange differences are recognised in OCI.

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

2.7 Revenue recognition

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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. Other performance obligation is not considered material.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.7 Revenue recognition (Continued)

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 2022 and 2023.

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.

2.9 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Current and deferred income tax (Continued)

(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.

2.10 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

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.

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 MATERIAL ACCOUNTING POLICIES (Continued)

2.11 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.

2.12 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 MATERIAL ACCOUNTING POLICIES (Continued)

2.12 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

2.13 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.

2.14 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Investments and other financial assets (Continued)

(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.

(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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Investments and other financial assets (Continued)

(c) Measurement (Continued)

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.

(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.

2.15 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.

2.16 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 receivable within one year from the end of the reporting period.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.21 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.

2.22 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.

2.23 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	
	As at 31 December	
	2023	2022
	RMB'000	RMB'000
USD		
– Cash and cash equivalents	**1,117,175**	953,633
– Trade receivables	**100,614**	67,122
	1,217,789	1,020,755

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	
	2023	2022
	Increase/ (decrease)	Increase/ (decrease)
	RMB'000	RMB'000
RMB – USD		
Appreciation of RMB by 5%	**(49,088)**	(42,338)
Depreciation of RMB by 5%	**49,088**	42,338

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 2023 would have been approximately RMB29,287,000 (2022: RMB8,747,000) 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	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**(8,216)**	(8,028)
Provision for doubtful receivables	**(5,384)**	(188)
Write off	**4,839**	–
At the end of the year	**(8,761)**	(8,216)

Other receivables

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.

Movements on the Group's loss allowance for other receivables at amortised cost are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**(708)**	–
Increase in the allowance recognised in profit or loss during the period	**(25,961)**	(708)
At the end of the year	**(26,669)**	(708)

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 2023 and 2022.

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 2023				
Trade and bills payables	**13,672,198**	**–**	**–**	**13,672,198**
Other payables and accruals*	**1,543,933**	**–**	**–**	**1,543,933**
Lease liabilities	**58,434**	**44,525**	**63,229**	**166,188**
Borrowings	**268,095**	**–**	**–**	**268,095**
Other non-current liabilities	**–**	**525,922**	**39,304**	**565,226**
	15,542,660	**570,447**	**102,533**	**16,215,640**
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

* 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 2023 and 2022.

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 2023 and 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Financial assets at FVTPL				
– Wealth management products and structured deposits	**–**	**2,610,194**	**–**	**2,610,194**
– Listed equity investment	**84,204**	**–**	**–**	**84,204**
– Unlisted equity investment	**–**	**–**	**80,571**	**80,571**
– Bond investment	**–**	**3,049**	**–**	**3,049**
– Other financial assets	**11,782**	**–**	**–**	**11,782**
Equity instrument at FVTOCI	**–**	**–**	**353**	**353**
Debt instrument at FVTOCI	**–**	**5,119**	**–**	**5,119**
Total	**95,986**	**2,618,362**	**80,924**	**2,795,272**
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

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 2023 and 2022.

Description	Fair Values As of 31 December 2023	2022	Valuation techniques	Significant unobservable inputs	Range of inputs As of 31 December 2023	2022	Relationship of unobservable inputs to fair values
Equity instrument at FVTOCI	**353**	2,419	Market approach	Discount for lack of marketability ("DLOM")	**30%**	30%	The higher the DLOM, the lower the fair value.
Financial assets at FVTPL – Unlisted equity investment	**80,571**	64,025	Market approach	Enterprise Value/Sales ("EV/S")	**NA**	15-33%	The higher the EV/S, the higher the fair value.
				DLOM	**30%**	19%-32%	The higher the DLOM, the lower the fair value.
				By reference to the latest round financing	**NA**	NA	NA

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 2022 and 2023:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**66,444**	81,626
Transferred from an investment accounted for using equity method (Note 6(i))	**12,501**	–
Fair value change recognised in OCI	**–**	(19,232)
Fair value change recognised in profit or loss	**4,045**	2,392
Disposal in the current year	**(3,000)**	–
Currency translation difference	**934**	1,658
At the end of the year	**80,924**	66,444

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 2023, a deferred income tax asset of RMB194,351,000 (2022: RMB62,141,000) 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 2023 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	
	2023	2022
	RMB'000	RMB'000
Types of goods		
Electric bicycles	**15,952,107**	12,827,456
Batteries and chargers	**9,249,600**	8,397,775
Electric scooters	**8,635,319**	9,145,187
Electric two-wheeled vehicle parts	**925,731**	689,025
	34,762,757	31,059,443
Timing of revenue recognition		
At point in time	**34,762,757**	31,059,443

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 2023:

– 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 New Energy Technology Co., Ltd. (former name: Jieshoushi Nandu Huayu Power Co., Ltd.) and Jieshou Huayu New Energy Sales Co., Ltd. (former name: Zhejiang Changxing Nandu Power Co., Ltd.) (collectively, "Huayu").

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 2023 and 2022 is as follows:

	Year ended 31 December 2023				Year ended 31 December 2022			
	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	**34,543,555**	**4,631,290**	**(4,412,088)**	**34,762,757**	30,409,109	3,870,034	(3,219,700)	31,059,443
Total segment cost	**(29,278,975)**	**(3,998,418)**	**4,399,876**	**(28,877,517)**	(25,094,195)	(3,543,598)	3,192,361	(25,445,432)
Gross profit	**5,264,580**	**632,872**		**5,885,240**	5,314,914	326,436		5,614,011

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	
	2023	2022
	RMB'000	RMB'000
Other income		
Government grants	**328,372**	166,631
Bank interest income	**305,676**	179,556
Super-deduction of value-added-tax ("VAT") (ii)	**166,220**	–
Others	**25,940**	25,382
	826,208	371,569
Other gains		
Net fair value gains on financial assets at FVTPL	**103,737**	77,994
Net foreign exchange gain	**27,534**	20,707
Net gain on disposal of the investment accounted for using equity method (i)	**25,001**	–
Net loss on disposal of property, plant and equipment and intangible assets	**(13,719)**	(15,696)
Donations	**(930)**	(1,930)
Others	**11,941**	1,092
	153,564	82,167
	979,772	453,736

(i) In March 2023, the Group disposed a part of its equity interests in an associate at a cash consideration of RMB12,500,000. After the disposal, the Group has no significant influence over this investee. Accordingly, the retained equity interests in the investee is accounted for as a financial asset at FVTPL instead of using the equity method. The Group recorded a disposal gain of RMB25,001,000 in other gain at the difference between the fair value of the retained equity interests of RMB12,501,000 in the investee and proceeds of RMB12,500,000 received, totaling RMB25,001,000, and the derecognized carrying amount of the investment accounted for using the equity method, which was nil at the disposal date.

(ii) This represents the additional input VAT which is allowed by tax authorities for further VAT output deduction.

7 EXPENSE BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials and consumables used	**27,739,951**	24,376,677
Employee benefits expenses	**2,491,264**	2,095,911
Advertising expenses	**372,592**	403,067
Travelling expenses	**286,969**	199,856
Depreciation of property, plant and equipment	**268,441**	228,872
Outsourcing labor fee	**231,415**	225,301
Freight expenses	**183,711**	303,331
Module costs	**152,739**	112,890
Consulting and professional service expenses	**106,239**	81,868
Outsourcing processing fee	**91,198**	106,723
Depreciation of right-of-use assets	**74,940**	64,670
Amortisation of intangible assets	**59,113**	62,150
Amortisation of other long-term assets	**42,440**	56,464
Net provision for impairment losses on financial assets	**31,345**	896
Product design fee	**22,695**	86,637
Short-term and low-value lease	**15,819**	7,479
Auditor's remuneration	**6,749**	9,028
– Audit services	**6,300**	7,579
– Non-audit services	**449**	1,449
Other expenses	**432,827**	383,768
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	**32,610,447**	28,805,588

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	**2,047,967**	1,676,203
Other social security costs, housing benefits and other employee benefit	**224,487**	194,919
Defined contribution plans (a)	**122,233**	94,729
Share-based compensation expenses (Note 35)	**96,577**	130,060
	2,491,264	2,095,911

(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.

8 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Directors' emoluments

	For the year ended 31 December 2023			
	Fees RMB'000	Salaries and other allowance RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive Directors:				
Ms. Jinghong Qian	–	5,264	57	5,321
Mr. Jinggui Dong	–	6,841	88	6,929
Mr. Yu Shen	–	1,056	64	1,120
Independent non-executive Directors:				
Mr. Wong Lung Ming	270	–	–	270
Mr. Biguang Wu (retired as independent non-executive director with effect from 16 June 2023)	270	–	–	270
Mr. Zongwei Li (retired as independent non-executive director with effect from 16 June 2023)	270	–	–	270
Mr. Naisheng Yao (retired as independent non-executive director with effect from 16 June 2023)	270	–	–	270
Ms. Chenguang Ma (appointed as independent non-executive director with effect from 16 June 2023)	135	–	–	135
Mr. Mingyu Chen (appointed as independent non-executive director with effect from 16 June 2023)	135	–	–	135
Ms. Qin Liang (appointed as independent non-executive director with effect from 16 June 2023)	135	–	–	135
Non-executive Director:				
Mr. Yiyin Zhang	270	–	–	270
	1,755	13,161	209	15,125

8 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Directors' emoluments (Continued)

	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 Director:				
Mr. Yiyin Zhang	258	–	–	258
	1,290	4,418	184	5,892

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 two (2022: one) directors whose emoluments are reflected in the analysis shown in Note 8(b). The emoluments payable to the remaining three (2022: four) individuals during the years are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**10,508**	11,974
Share-based compensation expenses	**10,841**	408
Pension scheme contributions and social welfare	**218**	224
	21,567	12,606

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	
	2023	2022
HKD2,500,001 to HKD3,000,000	**–**	2
HKD3,500,001 to HKD4,000,000	**–**	1
HKD4,500,001 to HKD5,000,000	**1**	–
HKD5,000,001 to HKD10,000,000	**1**	1
HKD10,000,001 to HKD20,000,000	**1**	–
	3	4

9 FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest charge for borrowings	**12,930**	33,498
Interest charges for lease liabilities (Note 14)	**7,205**	6,276
Other interest expenses (Note 30)	**24,106**	19,625
	44,241	59,399

10 SUBSIDIARIES

(a) Principal subsidiaries information

The Group's principal subsidiaries at 31 December 2023 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		Principal activities
				2023	2022	
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
豪骏集团有限公司 (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)	Bắc Giang, Vietnam, 27 June 2019	USD2,600,000	USD2,600,000	100%	100%	Development, manufacture and sale of electric vehicles and accessories
越南雅迪科技有限公司 (VIETNAM) YADEA SCIENCE TECHNOLOGY CO., LTD)	Bắc Giang, Vietnam, 23 June 2023	USD23,200,000	USD23,200,000	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

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 2023	2022	Principal activities
江蘇雅迪科技发展有限公司* (Jiangsu Yadea Technology Development Co., Ltd.)*	Wuxi, the PRC, 20 June 2001	RMB150,000,000	RMB150,000,000	**100%**	100%	Manufacture and sale of accessories
浙江雅迪機車有限公司* (Zhejiang Yadea Motorcycle Co., Ltd.)*	Ningbo, the PRC, 28 September 2002	RMB100,000,000	RMB100,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and accessories
無錫雅迪進出口有限公司* (Wuxi Yadea Import and Export Co., Ltd.)*	Wuxi, the PRC, 5 April 2007	RMB5,000,000	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%**	100%	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

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 2023	2022	Principal activities
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	RMB5,000,000	**100%**	100%	Sale of electric vehicles and accessories
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	–	**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	RMB240,000,000	RMB240,000,000	**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	–	**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
浙江海悅電動科技有限公司* (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

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 2023	2022	Principal activities
無錫雅迪電動車技術有限公司* (Wuxi Yadea Motorcycle technology Co., Ltd.)*	Wuxi, the PRC, 1 June 2021	USD50,000,000	USD50,000,000	**100%**	100%	Technical service
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%**	100%	Investment holding
Yadea Technologies (Netherlands) B.V.	Amsterdam, 1 December 2022	EUR100,000	EUR50,000	**100%**	100%	Investment holding
Yadea America Inc.	United States, 20 December 2022	USD20,000	USD20,000	**100%**	100%	Sale of consumer products
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%**	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 notes 40 and 41)	Jieshou, the PRC, 12 November 2008	RMB100,000,000	RMB100,000,000	**100%**	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%**	100%	Sale 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 2023	2022	Principal activities
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	RMB5,000,000	**100%**	100%	Research of batteries
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%**	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%**	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%**	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	RMB5,000,000	**100%**	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	RMB5,000,000	**100%**	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	RMB5,000,000	**100%**	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	RMB5,000,000	**100%**	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	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 2023	2022	Principal activities
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	RMB5,000,000	**100%**	100%	Sale of electric vehicles and accessories
浙江余悦進出口有限公司* (Zhejiang Yuyue Import And Export Co., Ltd)*	Hangzhou, the PRC, 9 May 2023	RMB10,000,000	–	**100%**	–	Export of electric vehicles and accessories
安徽雅迪新能源機車製造有限公司* (Anhui Yadea New Energy Motorcycle Manufacturing Co., Ltd.)*	Lu'an, the PRC, 29 June 2023	RMB50,000,000	RMB5,000,000	**100%**	–	Development, manufacture and sale of electric vehicles and Accessories
浙江九能新能源有限公司* (Zhejiang Jiuneng New Energy Co., Ltd)*	Hangzhou, the PRC, 6 March 2023	RMB80,000,000	–	**100%**	–	Development, manufacture and sale of batteries
浙江華宇鈉電新能源科技有限公司* (Zhejiang Huayu Sodium Electric New Energy Technology Co., Ltd)*	Hangzhou, the PRC, 18 April 2023	RMB100,000,000	RMB70,000,000	**100%**	–	Development, manufacture and sale of batteries
台州華宇鈉電新能源科技有限公司* (Taizhou Huayu Sodium Electric New Energy Technology Co., Ltd)*	Taizhou, the PRC, 25 April 2023	RMB5,000,000	RMB5,000,000	**100%**	–	Development, manufacture and sale of batteries

* 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	
	2023	2022
	RMB'000	RMB'000
Current PRC Enterprise Income Tax	**491,413**	380,217
Deferred income tax (Note 23)	**(111,619)**	52,050
Total tax charge for the year	**379,794**	432,267

(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 2023 and 2022, 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 2023 (2022: 25%) except:

- 雅迪科技集团有限公司 (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 2021 to 2023. 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 2023.

- 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	
	2023	2022
	RMB'000	RMB'000
Profit before tax	**3,019,952**	2,615,267
Tax at the statutory tax rate (25%)	**754,988**	653,817
Tax effect of preferential tax rate	**(242,603)**	(210,385)
Different tax jurisdiction	**(2,454)**	15,857
Tax credit for qualified research and development expenses and qualified purchase of property, plant and equipment	**(98,982)**	(96,960)
Withholding tax of appropriation of dividend (i)	**67,433**	58,453
Tax effect of expenses not deductible for tax purpose and other effect	**18,057**	21,645
Utilization/recognition of previously unrecognised tax losses and other timing difference	**(140,410)**	(42,798)
Tax losses and temporary differences for which no deferred tax assets were recognised	**23,765**	32,638
Income tax expense for the year	**379,794**	432,267

(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 2023, withholding tax of RMB67,433,000 (2022: RMB58,453,000) was recognised for 50% of the PRC subsidiaries' profits for the year ended 31 December 2023 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 RMB6,011,595,000 as at 31 December 2023 (31 December 2022: RMB4,662,928,000).

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	
	2023	2022
	RMB'000	RMB'000
Profit attributable to owners of the Company (RMB'000)	**2,640,158**	2,161,094
Weighted average number of ordinary shares in issue (thousand shares)	**2,984,697**	2,921,284
Basic earnings per share (in RMB cents/share)	**88.5**	74.0

(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 2023 and 2022, the Company has the dilutive potential ordinary shares of RSUs granted to employees. For the RSUs, the 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.

The share options granted in January 2023 (Note 35(e)) are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2023. These options could potentially dilute basic EPS in the future.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit attributable to owners of the Company arising from (RMB'000):	**2,640,158**	2,161,094
Weighted average number of ordinary shares in issue (thousand shares)	**2,984,697**	2,921,284
Adjustments for share based compensation – RSUs (thousand shares)	**15,726**	41,284
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	**3,000,423**	2,962,568
Diluted earnings per share (in RMB cents/share)	**88.0**	72.9

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 2023							
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**
Year ended 31 December 2023							
Opening net book amount	**1,741,109**	**436,222**	**20,157**	**40,131**	**60,047**	**993,562**	**3,291,228**
Additions	**67,721**	**154,966**	**12,186**	**32,856**	**56,154**	**625,806**	**949,689**
Transfers*	**963,100**	**3,588**	**–**	**1,754**	**4,547**	**(974,284)**	**(1,295)**
Depreciation charge (Note 7)	**(149,720)**	**(62,484)**	**(8,197)**	**(24,137)**	**(23,903)**	**–**	**(268,441)**
Disposal	**(4,035)**	**(16,512)**	**(1,901)**	**(2,907)**	**(5,549)**	**–**	**(30,904)**
Closing net book amount	**2,618,175**	**515,780**	**22,245**	**47,697**	**91,296**	**645,084**	**3,940,277**
At 31 December 2023							
Cost	**3,348,102**	**690,605**	**52,373**	**116,354**	**156,530**	**645,084**	**5,009,048**
Accumulated depreciation	**(729,927)**	**(174,825)**	**(30,128)**	**(68,657)**	**(65,234)**	**–**	**(1,068,771)**
Net book amount	**2,618,175**	**515,780**	**22,245**	**47,697**	**91,296**	**645,084**	**3,940,277**
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	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

* The net amount of transfers represents the amount transferred to intangible assets.

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2023, the application for the property ownership certificates for certain buildings with an aggregate net book value of approximately RMB882,879,000 (2022: RMB704,301,000) 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 2023, certain of the Group's buildings and construction in progress with an aggregate net carrying amount of RMB80,448,000 (2022: RMB420,229,000) and RMB496,280,000 (2022: nil) were pledged to secure the Group's bills payable and government financing (Note 30), respectively.

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	
	2023	2022
	RMB'000	RMB'000
Right-of-use assets		
Land use rights	**933,397**	805,014
Leased property	**154,434**	131,450
	1,087,831	936,464
Lease liabilities		
Current	**53,666**	47,087
Non-current	**99,778**	82,166
	153,444	129,253

Additions to the right-of-use assets during the year ended 31 December 2023 were RMB226,222,000 (2022: RMB74,438,000, 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 2023, no land use rights of the Group (2022: with an aggregate net carrying amount of RMB98,019,000) 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	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**19,451**	20,725
Leased property	**55,489**	43,945
	74,940	64,670
Interest expense (included in finance costs) (Note 9)	**7,205**	6,276
Expense relating to short-term leases	**14,641**	6,514
Expense relating to leases of low-value assets that are not shown above as short-term leases	**1,178**	965

The total cash outflow for leases in 2023 was RMB80,969,000 (2022: RMB52,632,000).

(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 2023				
Opening net book amount	**30,751**	**282,433**	**683,858**	**997,042**
Additions	**16,474**	**3,000**	**–**	**19,474**
Amortisation charge (Note 7)	**(20,904)**	**(38,209)**	**–**	**(59,113)**
Disposal	**(76)**	**–**	**–**	**(76)**
Closing net book amount	**26,245**	**247,224**	**683,858**	**957,327**
At 31 December 2023				
Cost	**111,722**	**349,914**	**683,858**	**1,145,494**
Accumulated amortisation	**(85,477)**	**(102,690)**	**–**	**(188,167)**
Net book amount	**26,245**	**247,224**	**683,858**	**957,327**
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

(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 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 2023 and 2022, and the recoverable amount as at 31 December 2023 and 2022 is disclosed as below:

	Year ended 31 December 2023	Year ended 31 December 2022
Sales growth rate	**9%-36%**	9%-25%
Gross profit margin	**15%-16%**	15%-16%
Terminal growth rate	**2.2%**	1.8%
Pre-tax discount rate	**13.8%**	13.5%
Recoverable amount of CGU (RMB'000)	**2,447,375**	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 2023 by RMB891,872,000 (2022: RMB257,904,000). Therefore, no impairment loss was recognised in 2023.

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 2023, the recoverable amount would have been RMB77,433,000 (2022: 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 2023, the recoverable amount would have been RMB267,903,000 (2022: 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 2023, the recoverable amount would have been RMB330,678,000 (2022: 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	
	2023	2022
	RMB'000	RMB'000
Financial assets		
Financial Assets at FVTPL	**2,789,800**	4,208,546
Financial assets at amortised cost	**13,884,094**	12,265,032
– Cash and cash equivalents	**7,913,807**	6,782,622
– Pledged bank deposits	**3,985,833**	4,669,724
– Term deposits	**1,200,000**	200,000
– Trade receivable	**545,941**	388,315
– Other receivables	**238,513**	224,371
Equity instruments at FVTOCI	**353**	2,419
Debt instruments at FVTOCI	**5,119**	20,093
	16,679,366	16,496,090
Financial liabilities		
At amortised cost:		
– Trade and bills payable	**13,672,198**	13,592,878
– Other payables and accruals*	**1,543,934**	1,637,364
– Other non-current liabilities	**565,226**	500,187
– Borrowings	**267,257**	1,281,679
– Lease liabilities	**153,444**	129,253
	16,202,059	17,141,361

* Excluding staff costs and welfare accruals and other taxes.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Associates	**71,333**	99,622

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
At the beginning of the year	**99,622**	63,047
Additions	**39,600**	69,500
Share of loss of investments accounted for using the equity method	**(67,889)**	(32,925)
At the end of the year	**71,333**	99,622

The Company's investments in associates accounted for using equity method are not considered material individually or aggregately during the years ended 31 December 2023 and 2022.

18 EQUITY INVESTMENTS AT FVTOCI

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Unlisted equity investments	**353**	2,419

During the year, the following fair value loss were recognised in OCI:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss recognised in OCI	**–**	(19,232)

19 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables	**554,702**	396,531
Less: allowance for credit losses	**(8,761)**	(8,216)
	545,941	388,315

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	
	2023	2022
	RMB'000	RMB'000
Within 6 months	**523,011**	378,822
Over 6 months	**22,930**	9,493
	545,941	388,315

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

20 INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials	**362,554**	753,835
Work in progress	**242,863**	346,343
Finished goods	**350,021**	357,871
	955,438	1,458,049

The inventory provisions as of 31 December 2023 and 2022 were insignificant.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Wealth management products and structured deposits*	**2,610,194**	4,036,671
Listed equity investment	**84,204**	83,114
Unlisted equity investment	**80,571**	64,025
Bond investment	**3,049**	14,781
Other financial assets	**11,782**	9,955
	2,789,800	4,208,546

* As at 31 December 2023, no wealth management products or structured deposits of the Group (2022: with a carrying amount of RMB250,000,000) were pledged as security for the Group's bills payable.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current assets		
Advance payments to customers (i)	**1,351,143**	1,063,254
Prepayment for acquisition of property, plant and equipment and land use rights	**101,917**	54,020
Others	**13,712**	9,041
	1,466,772	1,126,315
Current assets		
VAT recoverable	**169,512**	68,742
Prepayments to suppliers	**95,932**	305,413
Insurance receivable	**86,756**	51,266
Interest charge for bank deposits	**82,905**	52,922
Warranty costs receivable from suppliers	**45,692**	62,236
Deposits	**16,011**	9,355
Module costs	**9,586**	8,780
Loans to third parties	**9,400**	11,210
Individual income tax receivable for RSUs withheld and remitted	**–**	22,665
Receivable from a related party (see note 42)	**–**	5,000
Others	**56,791**	70,785
	572,585	668,374
Provision for doubtful receivables	**(26,669)**	(708)
	545,916	667,666
	2,012,688	1,793,981

(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 2023 RMB'000	As at 31 December 2022 RMB'000
The balance comprises temporary differences attributable to:		
– Tax losses	**188,553**	77,224
– Sales rebate	**36,098**	31,699
– Government grants	**9,500**	12,480
– Others	**12,997**	5,737
Total gross deferred tax assets	**247,148**	127,140
Set-off of deferred tax liabilities pursuant to set-off provisions	**(52,797)**	(64,999)
Net deferred tax assets	**194,351**	62,141

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**170,713**	18,217
– to be recovered within 12 months	**76,435**	108,923
	247,148	127,140

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 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
Credit/(debit) to profit or loss (Note 11)	**111,329**	**(2,980)**	**4,399**	**7,260**	**120,008**
At 31 December 2023	**188,553**	**9,500**	**36,098**	**12,997**	**247,148**

23 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities

	As at 31 December 2023 RMB'000	2022 RMB'000
The balance comprises temporary differences attributable to:		
– Withholding tax of dividend	**67,433**	58,453
– Assets appreciation	**45,853**	52,530
– Others	**24,971**	18,885
Total gross deferred tax liabilities	**138,257**	129,868
Set-off of deferred tax liabilities pursuant to set-off provisions	**(52,797)**	(64,999)
Net deferred tax liabilities	**85,460**	64,869

	As at 31 December 2023 RMB'000	2022 RMB'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**51,880**	52,530
– to be recovered within 12 months	**86,377**	77,338
	138,257	129,868

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 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
(Credit)/debit to profit or loss (Note 11)	**8,980**	**(6,677)**	**6,086**	**8,389**
At 31 December 2023	**67,433**	**45,853**	**24,971**	**138,257**

23 DEFERRED INCOME TAX (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	
	2023	2022
	RMB'000	RMB'000
2023	**–**	117
2024	**–**	6,266
2025	**–**	–
2026	**136**	270,775
2027	**19,858**	317,179
2028 and after	**14,729**	–
	34,723	594,337

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 2023 was RMB42,440,000 (2022: RMB56,464,000).

25 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Bills receivable	**5,119**	20,093

As at 31 December 2023, 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 RMB6,050,000 (2022: RMB48,503,000). 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	
	2023	2022
	RMB'000	RMB'000
Non-current assets	**700,000**	800,000
Current assets	**3,285,833**	3,869,724
	3,985,833	4,669,724

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

27 TERM DEPOSITS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current assets	**400,000**	200,000
Current assets	**800,000**	–
	1,200,000	200,000

The interest rates for the term deposits of the Group as at 31 December 2023 are 3.00% to 3.55% (2022: 3.55%) per annum.

Management considered that the carrying amount of the term deposits approximated their fair value as at 31 December 2023 and 2022.

28 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash and cash equivalents	**7,913,807**	6,782,622

Cash and cash equivalents carry interest at market rates of 0.20% to 5.20% (2022: 0.25% to 3.15%) per annum.

29 DEFERRED INCOME

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants	**63,333**	83,202

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

Amortisation of RMB19,869,000 (2022: RMB4,688,000) has been charged in other income and gains – net in Note 6.

30 OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Government financing	**565,226**	500,187

Other non-current liabilities represent two interest-free loans of RMB525,922,000 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 2023, the Group recognized a gain of RMB24,106,000 (2022: RMB19,625,000) for these interest-free loans in other income and the discounting impact of RMB24,106,000 (2022: RMB19,625,000) as finance cost.

31 TRADE AND BILLS PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables	**4,373,328**	3,779,421
Bills payable	**9,298,870**	9,813,457
	13,672,198	13,592,878

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	
	2023	2022
	RMB'000	RMB'000
Within 3 months	**4,318,306**	3,726,902
3 to 12 months	**39,823**	48,721
Over 12 months	**15,199**	3,798
	4,373,328	3,779,421

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	
	2023	2022
	RMB'000	RMB'000
Non-current liabilities		
Warranty	**48,805**	59,282
Current liabilities		
Staff payroll and welfare payables	**549,597**	481,672
Deposits from suppliers and distributors	**506,552**	448,471
Payables for purchase of property, plant and equipment	**401,326**	573,231
Accrued expenses	**295,934**	383,869
Warranty	**131,564**	112,373
Sales rebate	**119,360**	143,230
Other tax payable	**41,847**	64,872
Tax element of contract liabilities	**21,112**	29,317
Others	**40,393**	24,389
	2,107,685	2,261,424
	2,156,490	2,320,706

33 CONTRACT LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Advance from distributors for sales of electric vehicles	**162,401**	225,513

(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	
	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sales of electric vehicles	**225,513**	134,222

(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 contract.

34 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Bank loans	**267,257**	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 2023 and 2022.

The weighted average effective interest rates of the Group's bank loans as at 31 December 2023 is 0.94% (2022: 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 in 2022	**68,800,000**	**1**
As at 31 December 2022 and 2023	**3,063,800,000**	**31**
Equivalent to RMB'000		
As at 31 December 2022 and 2023		**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 2023 and 2022:

	Number of shares		RMB'000	
	2023	2022	**2023**	2022
Treasury shares				
At beginning of year	**109,200,539**	129,562,539	**271,868**	295,183
Share repurchase for share award scheme	**950,000**	–	**11,697**	–
Vested and transferred to employees	**(39,472,400)**	(20,362,000)	**(72,816)**	(23,315)
At end of the year	**70,678,139**	109,200,539	**210,749**	271,868

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 2023 and 2022:

	Number of Awards		Weighted Average Grant Date Fair Value Per RSU	
	2023	2022	**2023**	2022
			RMB	RMB
RSUs outstanding, beginning of the year	**74,230,000**	51,940,000	**3.52**	1.13
Granted	**–**	50,660,000	**–**	4.94
Vested	**(39,472,400)**	(20,362,000)	**2.59**	1.20
Forfeited	**(4,483,600)**	(8,008,000)	**4.34**	2.90
RSUs outstanding, end of the year	**30,274,000**	74,230,000	**5.67**	3.52

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.

35 SHARE CAPITAL (Continued)

(e) Share options

The following table summarizes certain information in respect of share options activity as of 31 December 2023:

	Number of share options 2023	Weighted Average exercise price per share option 2023 RMB
Share options outstanding, beginning of period	–	–
Granted	33,550,000	13.89
Forfeited	(1,810,000)	13.89
Share options outstanding, end of the year	31,740,000	13.89

(i) Fair value of options granted

The fair value of the share options granted was determined using Binomial Model. The exercise of the share options is subject to certain performance measures and continued employment with the Group. Key assumptions are set as below:

	Year ended 31 December 2023
Grant date	17 January 2023
Expiry date	16 January 2028
Exercise price	HK$16.14
Share price at grant date	HK$16.14
Expected price volatility	53%
Expected dividend yield	2%
Risk-free interest rate	3%
Contractual term	5 years

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

35 SHARE CAPITAL (Continued)

(f) Expenses arising from share-based payment transactions

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

	2023 RMB'000	2022 RMB'000
Share options granted	**34,794**	–
RSUs granted	**61,783**	130,060
	96,577	130,060

Additional share based payments exceeding the amount of the related cumulative employee expense recognized were permitted for income tax deduction. As a result, such tax deduction, amounted to RMB57,777,000 and RMB22,812,000 for the years ended 31 December 2023 and 2022, was related to an equity item and was recognised in other reserve.

36 DIVIDENDS

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Final dividends for the year ended 31 December 2022 of 40.0 HK cents (2021 – final dividend 28.0 HK cents) per fully paid share	**1,094,609**	705,304

Subsequent to the end of the reporting period, a final dividend to external shareholders in respect of the year ended 31 December 2023 of 48.0 HK cents (2022: 40.0 HK cents) per ordinary share, in an aggregate amount of HKD1,436,698,000 equivalent to RMB1,304,076,000 (2022: HKD1,181,840,000 equivalent to RMB1,094,609,000), 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

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Profit before tax		**3,019,952**	2,615,267
Adjustments for:			
Bank interest income	6	**(305,676)**	(179,556)
Loss on disposal of property, plant and equipment and intangible assets, net	6	**13,719**	15,696
Depreciation of property, plant and equipment	7	**268,441**	228,872
Depreciation of right-of-use assets	7	**74,940**	64,670
Amortisation of other long-term asset	24	**42,440**	56,464
Amortisation of intangible assets	7	**59,113**	62,150
Share results of associates	17	**67,889**	32,925
Share based compensation	8	**96,577**	130,060
Interest expense	9	**44,241**	59,399
Net provision for impairment losses on financial assets	7	**31,345**	896
Other income and gains		**(96,510)**	(50,986)
Net fair value gains on financial assets at FVTPL	6	**(103,737)**	(77,994)
Operating cash flows before movement in working capital		**3,212,734**	2,957,863
Decrease in inventories		**502,611**	164,134
(Increase)/decrease in trade receivables		**(163,022)**	120,706
Increase in prepayments, deposits and other receivables		**(425,550)**	(184,028)
Decrease in debt instruments at FVTOCI		**14,974**	70,813
Decrease/(increase) in pledged bank deposits		**583,891**	(876,714)
Increase in trade and bills payables		**319,287**	1,151,908
Increase in other payables and accruals		**10,313**	98,148
Decrease in contract liabilities		**(63,112)**	(127,818)
Cash generated from operations		**3,992,126**	3,375,012

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 2022	–	(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)
Cash flows	**1,027,352**	**61,408**	**(65,039)**	**1,023,721**
Foreign exchange adjustments	**–**	**(5)**	**–**	**(5)**
Acquisition-lease	**–**	**(78,389)**	**–**	**(78,389)**
Interest expenses	**(12,930)**	**(7,205)**	**–**	**(20,135)**
Net debt as at 31 December 2023	**(267,257)**	**(153,444)**	**(565,226)**	**(985,927)**

(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 2023 and 2022, the Group had no significant contingent liabilities.

39 COMMITMENTS

(a) Capital Commitments

	Year ended 31 December	
	2023	2022
	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	**815,006**	406,378

(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	
	2023	2022
	RMB'000	RMB'000
Within 1 year	**2,375**	1,755
Later than 1 year and no later than 5 years	**807**	520
	3,182	2,275

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 Group and other shareholder for a total cash consideration of RMB311,500,000.

The assets and liabilities of 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.

(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 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.

	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)

(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

(a) Material transactions with related parties

	2023 **RMB'000**	2022 RMB'000
Purchase of materials and equipments from associates	**2,240**	14,209
Purchase of materials and equipments from Narada Group	–	1,348,966
Sales of products to an associate	**28,406**	1,859
Sales of materials and equipments to Narada Group	–	155,999
Borrowings from Narada Group	–	288,000
Repayment of borrowings from Narada Group	–	1,290,528
Interest charged by Narada Group	–	7,639
Loan advanced to an associate	–	5,000

The purchase and sales of materials and equipments were made on terms agreed between the parties.

As disclosed in Notes 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.

(b) Due from related parties

(i) Trade Receivables

	2023 **RMB'000**	2022 RMB'000
Trade receivables from associates	**6,102**	8,498

(ii) Advance payment to related parties

	2023 **RMB'000**	2022 RMB'000
Advanced payment to associates	–	4,247

(iii) Loan to related party

	2023 **RMB'000**	2022 RMB'000
Loan to an associate	–	5,000

Amount due to related parties were not material as of 31 December 2023 and 2022.

42 RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of Key Management Personnel of the Group

	2023 RMB'000	2022 RMB'000
Salaries	**22,239**	12,028
Pension scheme contributions and social welfare	**718**	431
Share-based compensation expenses	**563**	2,253
	23,520	14,712

43 EVENTS AFTER THE REPORTING PERIOD

On 17 March 2024, a subsidiary of the Company entered into share purchase agreements to acquire 100% equity interests of Wuxi Lingbo Electronic Technology Co., Ltd.* (無錫淩博電子技術股份有限公司) (the "Target Company") at a total cash consideration of approximately RMB351,500,000. The Target Company is principally engaged in (i) the research, development, production and sales of intelligent control system solutions and products, and (ii) the provision of customized technical solutions for two-wheeled electric vehicles, garden tools, industrial robots, electric boats and other industries.

* For identification purposes only

44 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current Assets		
Property, plant and equipment	**1,076**	462
Right-of-use asset	**2,683**	4,147
Investments in subsidiaries	**463,184**	361,202
Equity instrument at FVTOCI	**343**	343
	467,286	366,154
Current Assets		
Amount due from subsidiaries	**247,147**	36,625
Prepayments, deposits and other receivables	**27,640**	44,644
Financial assets at FVTPL	**78,188**	78,760
Cash and cash equivalents	**812,561**	967,206
	1,165,536	1,127,235
Total Assets	**1,632,822**	1,493,389
Non-current Liabilities		
Lease liability	**1,122**	2,525
	1,122	2,525
Current Liabilities		
Lease liability	**1,569**	1,569
Other payables and accruals	**4,330**	4,184
	5,899	5,753
Total Liabilities	**7,021**	8,278
Net Assets	**1,625,801**	1,485,111
Equity		
Share capital	**192**	192
Share premium and reserves	**1,625,609**	1,484,919
Total Equity	**1,625,801**	1,485,111

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	FVTOCI reserve RMB'000	Translation reserve RMB'000	Accumulated retained earnings RMB'000	Total RMB'000
At 1 January 2022	–	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(f))	–	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
Total comprehensive income for the year, net of income tax	**–**	**–**	**–**	**(5,461)**	**1,145,079**	**1,139,618**
Dividends provided for or paid	**(149,600)**	**–**	**–**	**–**	**(961,234)**	**(1,110,834)**
Employee share schemes – value of employee services (Note 35(f))	**–**	**96,577**	**–**	**–**	**–**	**96,577**
Restricted share units vested	**121,828**	**(106,499)**	**–**	**–**	**–**	**15,329**
At 31 December 2023	**–**	**176,509**	**(14,569)**	**75,395**	**1,388,274**	**1,625,609**