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## **Yadea Group Holdings Ltd.**

**雅迪集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1585)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Yadea Group Holdings Ltd. (雅迪集團控股有限公司) (the “**Company**” or “**Yadea**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**our Group**”, “**we**” or “**us**”) for the year ended 31 December 2020 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2019 as follows:

#### **FINANCIAL HIGHLIGHTS**

For the Reporting Period:

- Revenue increased by approximately 61.8% to RMB19,360.3 million, as compared with the year ended 31 December 2019.
- Gross profit increased by approximately 47.9% to RMB3,073.2 million, as compared with the year ended 31 December 2019.
- Profit attributable to owners of the Company increased by approximately 89.6% to RMB957.4 million, as compared with the year ended 31 December 2019.
- Basic earnings per share increased by RMB16.3 cents to RMB33.4 cents, as compared with the year ended 31 December 2019.
- The Company proposed a 2020 final dividend of 19.0 HK cents per ordinary share.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000 (restated)
Revenue	5	<b>19,360,315</b>	11,968,238
Cost of sales	7	<b>(16,287,085)</b>	(9,890,101)
<b>Gross profit</b>		<b>3,073,230</b>	2,078,137
Other income and gains, net	6	<b>258,085</b>	187,405
Selling and distribution expenses	7	<b>(934,911)</b>	(792,800)
Administrative expenses	7	<b>(597,480)</b>	(484,173)
Research and development costs	7	<b>(605,224)</b>	(386,137)
<b>Operating profit</b>		<b>1,193,700</b>	602,432
Finance costs	8	<b>(4,550)</b>	(2,216)
Share of losses of investments accounted for using the equity method		<b>(2,373)</b>	–
<b>Profit before income tax</b>		<b>1,186,777</b>	600,216
Income tax expense	9	<b>(227,488)</b>	(91,524)
<b>Profit for the year</b>		<b>959,289</b>	508,692
Profit for the year attributable to:			
Owners of the Company		<b>957,389</b>	504,833
Non-controlling interests		<b>1,900</b>	3,859
		<b>959,289</b>	508,692
Earnings per share			
Basic (cents per share)	11	<b>33.4</b>	17.1
Diluted (cents per share)	11	<b>32.8</b>	17.1

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

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

		<b>As at 31 December</b>		As at
		<b>2020</b>	2019	1 January
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>	<i>RMB'000</i>
			(restated)	(restated)
<b>Current liabilities</b>				
Trade and bills payables	14	<b>10,786,030</b>	6,858,431	4,580,419
Other payables and accruals		<b>920,268</b>	503,071	315,939
Contract liabilities		<b>364,139</b>	147,266	48,600
Lease liabilities		<b>22,819</b>	10,998	8,535
Income tax liabilities		<b>142,715</b>	84,570	20,209
		<u>12,235,971</u>	<u>7,604,336</u>	<u>4,973,702</u>
<b>Total current liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities		<b>26,181</b>		
Lease liabilities		<b>53,689</b>	35,442	40,022
Other non-current liability		<b>97,671</b>	–	–
		<u>177,541</u>	<u>35,442</u>	<u>40,022</u>
<b>Total non-current liabilities</b>				
<b>Total liabilities</b>				
		<u>12,413,512</u>	<u>7,639,718</u>	<u>5,013,724</u>
<b>Net assets</b>				
		<u>3,602,843</u>	<u>3,067,482</u>	<u>2,754,948</u>
<b>EQUITY</b>				
Share capital		<b>187</b>	187	188
Share premium and reserves		<b>3,589,312</b>	3,055,851	2,747,175
Equity attributable to owners of the Company		<b>3,589,499</b>	3,056,038	2,747,363
Non-controlling interests		<b>13,344</b>	11,444	7,585
		<u>3,602,843</u>	<u>3,067,482</u>	<u>2,754,948</u>
<b>Total equity</b>				

## NOTES TO FINANCIAL STATEMENTS

### 1. GENERAL

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, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principle place of business of the Company is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") with effect from 19 May 2016.

The Company is an investment holding company. The Group is principally engaged in the development, manufacture and sale of electric two-wheeled vehicles and related accessories in the People's Republic of China (the "**PRC**").

In the opinion of 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 (the "**Shareholders**") are Mr. Dong Jinggui and Ms. Qian Jinghong.

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

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

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

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

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

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

### 4. RESTATEMENTS

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

#### a. Advertising expenses

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

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

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

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

#### (ii) Consolidated statements of financial position as at

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

**b. Consulting expenses**

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

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

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

	31 December 2019 RMB'000
– Decrease in selling and distribution expenses	26,000
– Decrease in administrative expenses	812
– Increase in income tax expense	(5,177)

**(ii) Consolidated statements of financial position as at**

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

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

**c. Employee benefit expenses**

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

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

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

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



(ii) *Consolidated statements of financial position as at*

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

**d. Amortisation of prepaid long-term assets**

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

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

(i) *Consolidated statements of financial position as at*

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

**e. Income tax**

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

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

(i) *Consolidated statements of financial position as at*

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

## Financial impacts of the errors identified

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

### Consolidated statement of profit or loss for the year ended

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

### Consolidated statement of financial position as at

	31 December 2019 <i>RMB'000</i>	1 January 2019 <i>RMB'000</i>
Decrease in prepayments, deposits and other receivables	(6,971)	(6,971)
Decrease in prepayment for acquisition of property, plant and equipment and right-of-use assets	(27,499)	(27,499)
Decrease in deferred income tax asset	(4,603)	(4,603)
Increase in other payables and accruals	28,838	25,697
Increase in income tax liabilities	8,437	–
Decrease in retained earnings	(76,348)	(64,770)

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

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

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

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

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

	31 December 2019 (Previously reported) <i>RMB'000</i>	Restatements <i>RMB'000</i>	31 December 2019 (restated) <i>RMB'000</i>
Consolidated statement of financial position (extract)			
Prepayment for acquisition of property, plant and equipment and right-of-use assets	155,119	(27,499)	127,620
Deferred income tax asset	17,522	(4,603)	12,919
Prepayments, deposits and other receivables (current)	394,191	(6,971)	387,220
Other payables and accruals	474,233	28,838	503,071
Income tax liabilities	76,133	8,437	84,570
Equity attributable to owners of the Company			
Share premium and reserves	3,132,199	(76,348)	3,055,851
	3,132,199	(76,348)	3,055,851
Consolidated statement of financial position (extract)			
Prepayment for acquisition of property, plant and equipment and right-of-use assets	65,939	(27,499)	38,440
Prepayments, deposits and other receivables (current)*	579,599	(6,971)	572,628
Deferred income tax asset	6,846	(4,603)	2,243
Other payables and accruals	290,242	25,697	315,939
Equity attributable to owners of the Company			
Share premium and reserves	2,811,945	(64,770)	2,747,175
	2,811,945	(64,770)	2,747,175

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

## 5. REVENUE

### 5.1 Disaggregation of revenue from contract with customers

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

#### *Information about major customers*

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

### 5.2 Operating Segment

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

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

#### *Geographical information*

Since over 90% of the Group's revenue and operating profit were generated from the sale of electric 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

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

## 7. EXPENSE BY NATURE

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

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

## 8. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest charges for lease liabilities	3,328	2,216
Other interest expenses	1,222	–
	<u>4,550</u>	<u>2,216</u>

## 9. INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i> (restated)
Current PRC Enterprise Income Tax	234,435	102,200
Deferred tax	(6,947)	(10,676)
	<u>227,488</u>	<u>91,524</u>

## 10. DIVIDENDS

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividends for the year ended 31 December 2019 of 10.0 HK cents (2018 final dividend 4.0 HK cents) per fully paid share	<u>266,092</u>	<u>105,672</u>

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

## 11. EARNINGS PER SHARE

### (a) Basic earnings per share

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

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

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

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

## 12. INVENTORIES

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	358,463	424,727
Finished goods	321,783	214,208
	<b>680,246</b>	<b>638,935</b>

## 13. TRADE RECEIVABLES

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

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	369,840	181,874
Over 6 months	7,306	–
	<b>377,146</b>	<b>181,874</b>



#### 14. TRADE AND BILLS PAYABLES

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

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

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

## **OUTLOOK**

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

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

## **FINANCIAL REVIEW**

### **Revenue**

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

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

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

### Cost of sales

Cost of sales of the Group increased by approximately 64.7% from RMB9,890.1 million in 2019 to RMB16,287.1 million in 2020, which is in line with the increase in revenue.

### Gross profit and gross profit margin

As a result of the foregoing, gross profit for the Group increased by approximately 47.9% from RMB2,078.1 million in 2019 to RMB3,073.2 million in 2020, and the gross profit margin decreased by 1.5% from approximately 17.4% in 2019 to approximately 15.9% in 2020.

### Other income and gains, net

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

### Administrative expenses

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

### **Selling and distribution expenses**

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

### **Research and development costs**

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

### **Finance costs**

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

### **Income tax expense**

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

### **Profit for the year**

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Cash flow**

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

The Group's primary source of funding comes from cash flows generated from its operating activities. As at 31 December 2020, save for the interest-free loan of RMB97.67 million obtained by the Group from the local government in the PRC in relation to the construction of its new production facility, the Group did not have any borrowings. Taking into consideration the Group's current bank balances and cash and the expected cash flow from operations, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Net cash generated from operating activities was RMB2,217.5 million in 2020, as compared with net cash generated from operating activities of RMB2,818.7 million in 2019. Net cash used in investing activities was RMB1,036.0 million in 2020, as compared with net cash used in investing activities of RMB1,987.9 million in 2019. Net cash used in financing activities was RMB358.7 million in 2020, as compared with net cash used in financing activities of RMB226.6 million in 2019.

### **Net current assets**

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

### **Inventories**

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

### **Trade receivables**

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

### **Wealth management products and structured deposits**

The wealth management products and structured deposits held by the Group mainly consist of principal-protected products with relatively low level of risk purchased from the commercial banks in the PRC. The aggregated value of the wealth management products and structured deposits increased by approximately 10.6% from RMB3,582.9 million as at 31 December 2019 to RMB3,963.0 million as at 31 December 2020. Such increase was primarily due to the increase in structured deposits.

### **Trade and bills payables**

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

### **Currency risk**

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

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

### **Human resources**

As at 31 December 2020, the Group had 8,184 employees, as compared with 4,341 employees as at 31 December 2019 as the Group hired more employees in the production and sales department. Total staff costs in 2020, including labour outsourcing cost but excluding the Directors' remunerations, were RMB1,141.1 million, representing an increase of approximately 113.1% from RMB535.4 million in 2019. The Group will regularly review its remuneration policy and the benefits to its employees with reference to market practice and the performance of individual employees.

### **Contingent liabilities**

As at 31 December 2020, the Group did not have any material contingent liabilities or guarantees.

### **Pledge of the Group's assets**

The Group pledged its assets as securities for bills payable which were used to finance daily business operation. As at 31 December 2020, the pledged assets of the Group amounted to RMB5,891.9 million.

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

There were no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group during the year ended 31 December 2020.

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

The Company has purchased from the market a total of 51,582,000 shares of the Company (the “Shares”) during the year ended 31 December 2020 for the share award scheme adopted by the Company on 23 July 2019. Details of the purchases of such Shares were as follows:

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

## EVENTS AFTER THE REPORTING PERIOD

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

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules and has also put in place certain recommended best practices as set out in the CG Code. Throughout the year ended 31 December 2020, the Company has fully complied with the code provisions set out in the CG Code. The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2020.



## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiries have been made to all the Directors who have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020. The Board has also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

## **FINAL DIVIDEND**

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

## **ANNUAL GENERAL MEETING**

It is proposed that the AGM will be held on Friday, 18 June 2021. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purposes of ascertaining the members’ eligibility to attend and vote at the AGM, the Company’s register of members will be closed during the following period:

Latest time to lodge transfers documents for registration. . . . . 4:30 p.m. on  
Friday, 11 June 2021

Closure of register of members . . . . . Tuesday, 15 June 2021 to  
Friday, 18 June 2021  
(both days inclusive)

For determining the members’ entitlement of the proposed final dividend, the register of members of the Company will be closed during the following period:

Latest time to lodge transfers documents for registration. . . . . 4:30 p.m. on  
Tuesday, 13 July 2021

Closure of register of members . . . . . Wednesday, 14 July 2021 to  
Friday, 16 July 2021  
(both days inclusive)

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

## **AUDIT COMMITTEE**

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprising four independent non-executive Directors, namely Mr. Li Zongwei (chairman), Mr. Wu Biguang, Mr. Yao Naisheng and Mr. Wong Lung Ming, and one non-executive Director, namely Mr. Zhang Yiyin. The Audit Committee has reviewed the annual results for the year ended 31 December 2020 of the Company. The Audit Committee and the Company's management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting.

## **SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.yadea.com.cn>). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

By order of the Board  
**Yadea Group Holdings Ltd.**  
**Dong Jinggui**  
*Chairman*

Hong Kong, 29 March 2021

*As of the date of this announcement, Mr. Dong Jinggui, Ms. Qian Jinghong and Mr. Shen Yu are the executive Directors; Mr. Zhang Yiyin is the non-executive Director; and Mr. Li Zongwei, Mr. Wu Biguang, Mr. Yao Naisheng and Mr. Wong Lung Ming are the independent non-executive Directors.*