



雅迪集團控股有限公司

YADEA GROUP HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1585

2021

INTERIM REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Dong Jinggui (董經貴)
Ms. Qian Jinghong (錢靜紅)
Mr. Shen Yu (沈瑜)

Non-Executive Director

Mr. Zhang Yiyin (張禕胤)

Independent Non-Executive Directors

Mr. Li Zongwei (李宗煒)
Mr. Wu Biguang (吳邈光)
Mr. Yao Naisheng (姚乃勝)
Mr. Wong Lung Ming (黃隆銘)

BOARD COMMITTEES

Audit committee

Mr. Li Zongwei (李宗煒) (*Chairman*)
Mr. Yao Naisheng (姚乃勝)
Mr. Wu Biguang (吳邈光)
Mr. Wong Lung Ming (黃隆銘)
Mr. Zhang Yiyin (張禕胤)

Remuneration committee

Mr. Wu Biguang (吳邈光) (*Chairman*)
Mr. Yao Naisheng (姚乃勝)
Mr. Zhang Yiyin (張禕胤)
Mr. Wong Lung Ming (黃隆銘)

Nomination committee

Mr. Dong Jinggui (董經貴) (*Chairman*)
Ms. Qian Jinghong (錢靜紅)
Mr. Zhang Yiyin (張禕胤)
Mr. Yao Naisheng (姚乃勝)
Mr. Wu Biguang (吳邈光)
Mr. Li Zongwei (李宗煒)
Mr. Wong Lung Ming (黃隆銘)

JOINT COMPANY SECRETARIES

Mr. Shen Yu (沈瑜)
Ms. Wong Sau Ping (黃秀萍), FCG, FCS

AUTHORISED REPRESENTATIVES

Ms. Qian Jinghong (錢靜紅)
Ms. Wong Sau Ping (黃秀萍), FCG, FCS

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

LEGAL ADVISOR

As to Hong Kong Law:
Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Corporate Information

AUDITOR

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

COMPANY WEBSITE

www.yadea.com.cn

STOCK CODE

1585

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 AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Nanjing, Wuxi Xishan Branch
No. 1 East Xihu Road
Wuxi, Jiangsu Province
China

China Construction Bank, Cixi Branch
No. 279 Shishan Road
Cixi, Zhejiang Province
China

China Everbright Bank, Tianjin Huayuan Branch
No. 62-68 Caizi Yuan
Junction of Huayuan Road and Yashi Avenue
Nankai District, Tianjin
China



Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2021, the People's Republic of China (the "PRC" or "China")'s gross domestic product expanded 12.7% year-on-year as recovery continues to consolidate. Various economic indicators continued to rebound, reflecting the stable progression and gradual recovery of the overall national economy. However, the global outbreak of the COVID-19 pandemic has not yet been effectively contained, and raw material prices continue to rise, thus giving rise to a lot of uncertainties regarding the global economic recovery.

Benefiting from improving customer spending under recovery in China, Yadea Group Holdings Ltd. (the "Company") continued to achieve strong growth by delivering another set of strong financial results in the first half of 2021. The total sales volume of electric scooters and electric bicycles reached 6,537,000 units for the six months ended 30 June 2021 (the "Reporting Period"), an increase of 61.1% year-over-year, which is mainly attributable to the release of new models, the upgrade of existing models that appeal to wider customer graphics, and the expansion of distribution network. As a result, the Company and its subsidiaries (the "Group") recorded revenue of approximately RMB12,375.4 million for the six months ended 30 June 2021, up by 63.9% year-over-year.

During the Reporting Period, the Group sold approximately 1,570,000 units of Guanneng (冠能) series electric two-wheeled vehicle, one of its popular series. Owing to the series's popularity, the Group launched Guanneng (冠能) 2.0 series electric two-wheeled vehicle in early 2021. With greatly increased continuous driving mileage, Guanneng (冠能) 2.0 series electric two-wheeled vehicle has become one of the key series among the Group's products. It is equipped with upgraded TTFAR graphene 3rd generation battery with cycle life of about 800-1,000 times, which is three times that of ordinary lead-acid batteries. In addition to having large capacity and strong conductivity, the TTFAR graphene 3rd generation battery can also be fully charged in 3 hours with a TTFAR fast charge charger. Guanneng (冠能) 2.0 series has also launched a variety of models that fulfill the new national standard for electric bicycle and are able to satisfy the consumer needs for high continuous driving mileage in urban districts. The Group will continue to invest in developing new models and upgrading the performance of the existing models of electric two-wheeled vehicles and electric bicycles.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB12,375.4 million, representing an increase of approximately 63.9% compared with the corresponding period in 2020 of approximately RMB7,549.9 million. The increase was primarily attributable to the increase in sales volume of electric scooters, electric bicycles and related accessories as a result of (i) the release of new models and the upgrade of existing products that appeal to wider customer graphics; and (ii) the expansion of distribution network.

Product Type	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Revenue (RMB'000)	% of total	Volume '000 units	Revenue (RMB'000) (Restated)	% of total	Volume '000 units
Electric scooters	5,420,725	43.8	3,073.2	3,604,001	47.7	2,253.5
Electric bicycles	3,889,264	31.4	3,463.8	2,152,699	28.5	1,805.3
Subtotal	9,309,989	75.2	6,537.0	5,756,700	76.2	4,058.8
Batteries and chargers	2,894,462	23.4	Batteries: 5,792.7 Chargers: 4,361.7	1,703,250	22.6	Batteries: 3,606.1 Chargers: 2,550.6
Electric two-wheeled vehicle parts	170,958	1.4	N/A	89,919	1.2	N/A
Total	12,375,409	100.0	-	7,549,869	100.0	-

Sales volume of electric scooters increased by approximately 36.4% from approximately 2,253,500 units for the six months ended 30 June 2020 to approximately 3,073,200 units for the six months ended 30 June 2021; and the sales volume of electric bicycles increased by approximately 91.9% from approximately 1,805,300 units for the six months ended 30 June 2020 to approximately 3,463,800 units for the six months ended 30 June 2021.

Cost of sales

Cost of sales increased by approximately 69.2% from approximately RMB6,223.5 million for the six months ended 30 June 2020 to approximately RMB10,530.0 million for the six months ended 30 June 2021, which is in line with the increase in revenue and sales volumes.



Management Discussion and Analysis

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by approximately 39.1% from approximately RMB1,326.4 million for the six months ended 30 June 2020 to approximately RMB1,845.4 million for the six months ended 30 June 2021.

Gross profit margin was 14.9% for the six months ended 30 June 2021, lower than the gross profit margin of 17.6% for the six months ended 30 June 2020, primarily due to the increase in the price of raw materials and the increase in spending on the expansion of distribution network.

Other income and gains, net

Other income and gains, net increased by approximately 54.7% from approximately RMB109.9 million for the six months ended 30 June 2020 to approximately RMB169.9 million for the six months ended 30 June 2021. Such increase was primarily due to the increase in income generated from wealth management products purchased by the Group.

Profit for the Reporting Period

As a result of the cumulative effect of the foregoing, the Group's profit increased by approximately 47.8% from approximately RMB396.4 million for the six months ended 30 June 2020 to approximately RMB586.0 million for the six months ended 30 June 2021.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As of 30 June 2021, cash and cash equivalents amounted to approximately RMB5,350.3 million, representing an increase of approximately 56.4% from approximately RMB3,420.9 million as of 31 December 2020. Such increase was primarily due to approximately RMB2,585.7 million net cash inflow generated from operating activities and approximately RMB153.3 million net cash inflow from financing activities, partially offset by approximately RMB807.3 million net cash outflow used in investing activities.

The Group's primary uses of cash were daily operating expenses, payment for marketing and advertising expenses and funding of working capital. The Group financed its liquidity requirements through cash flows generated from its operating activities.

Net cash inflow generated from operating activities was approximately RMB2,585.7 million for the six months ended 30 June 2021, as compared with net cash inflow generated from operating activities of approximately RMB1,170.4 million for the six months ended 30 June 2020. Net cash outflow used in investing activities was approximately RMB807.3 million for the six months ended 30 June 2021, as compared with net cash outflow used in investing activities of approximately RMB713.3 million for the six months ended 30 June 2020. Net cash inflow generated from financing activities was approximately RMB153.3 million for the six months ended 30 June 2021, as compared with net cash outflow used in financing activities of approximately RMB91.4 million for the six months ended 30 June 2020.

Taking into account the Group's existing cash and cash equivalents, anticipated cash flow from its operating activities and the net proceeds from the initial public offering, the board (the "**Board**") of directors (the "**Directors**") of the Company believes that the Group's liquidity needs will be satisfied.

Management Discussion and Analysis

Net current assets

As of 30 June 2021, the Group had net current assets of approximately RMB506.0 million, as compared with net current assets of approximately RMB1,137.8 million as of 31 December 2020.

Inventory

Inventory primarily consisted of raw materials and finished goods. Inventory increased by approximately 51.8% from approximately RMB680.2 million as of 31 December 2020 to approximately RMB1,032.7 million as of 30 June 2021, primarily due to the increased sales of the Group's products. The average inventory turnover days for the six months ended 30 June 2021 decreased to 14.6 days from 17.5 days for the corresponding period in 2020.

Gearing ratio

Gearing ratio (as defined as total borrowings divided by total equity as of the respective period-end dates and multiplied by 100%) as of 30 June 2021 was 6.8% (31 December 2020: 2.7%).

Human resources

As of 30 June 2021, the Group had 9,282 employees (31 December 2020: 8,184). Total staff costs, including labour outsourcing cost but excluding the Directors' remuneration, were approximately RMB762.0 million (the six months ended 30 June 2020: approximately RMB431.6 million). The Group will regularly review its remuneration policy and wages and benefits to its employees with reference to market practice and the performance of individual employee.

Contingent liabilities

As of 30 June 2021, the Group did not have any material contingent liabilities or guarantees.

Pledge of the Group's assets

The Group pledged its assets as securities for bills payable which were used to finance daily business operation. As at 30 June 2021, the pledged assets of the Group amounted to RMB4,125.7 million.

Foreign Exchange Rate Risk

The Group conducts its business primarily in RMB. As of 30 June 2021, substantially all of the Group's assets and liabilities were denominated in RMB. The Group believes that it does not have significant foreign exchange exposure risks. Therefore, the Group did not use any derivative financial instruments to hedge its exposure to the foreign exchange rate risks during the Reporting Period.



Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Company was incorporated in the Cayman Islands on 17 July 2014 as an exempted company with limited liability and the shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 May 2016 (the “**Listing Date**”).

As at 30 June 2021, 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 Securities and Futures Ordinance (the “**SFO**”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) are as follows:

(i) Interests in Shares of the Company

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

Notes:

- (1) Mr. Dong Jinggui holds the entire issued share capital of Dai Wei Investment Company Limited (“**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 Investment Company Limited (“**Fang Yuan**”), which in turn owns 504,762,859 Shares. By virtue of Part XV of the SFO, Ms. Qian Jinghong is deemed to be interested in the Shares held by Fang Yuan.
- (3) Pursuant to the concert parties arrangement, Mr. Dong Jinggui and Ms. Qian Jinghong confirmed that they are parties acting in concert in relation to the exercise of their voting rights at the meetings of the shareholders and the board of directors of the members of the Group. 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 arrangement. As such, Mr. Dong Jinggui and Ms. Qian Jinghong, together with their respective holding companies (being Dai Wei and Fang Yuan), are all deemed to be interested in the total Shares held by Dai Wei and Fang Yuan.
- (4) The letter “L” denotes long position in such securities.
- (5) There were 2,995,000,000 Shares in issue as at 30 June 2021.

Corporate Governance and Other Information

(ii) Interests in associated corporations

Name of Director	Name of associated corporation	Number of issued shares	Approximate number of percentage of shareholding
Mr. Dong Jinggui	Dai Wai	100	100.00%
Ms. Qian Jinghong	Fang Yuan	100	100.00%

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares or securities held ^(Note 2)	Approximate percentage of issued share capital ^(Note 3)
Dai Wei ^(Note 1)	Beneficial interest/interest of concert parties	1,904,160,943 (L)	63.58%
Fang Yuan ^(Note 1)	Beneficial interest/interest of concert parties	1,904,160,943 (L)	63.58%

Notes:

- (1) 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 of directors of the members of the Group. 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 arrangement. 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.
- (2) The letter "L" denotes long position in such securities.
- (3) There were 2,995,000,000 Shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Corporate Governance and Other Information

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2021, the Company subscribed and redeemed various wealth management products and structured deposits (the “**Financial Instruments**”), among which the investments of the Company in the Financial Instruments issued by Ping An Bank exceeded 5% of the applicable percentage ratio and constituted discloseable transaction under Chapter 14 of the Listing Rules. For details, please refer to the announcements of the Company dated 31 March 2020 and 21 June 2021. As at 30 June 2021, the balance of investments of the Company in the Financial Instruments issued by Ping An Bank was approximately RMB1,070.00 million.

Save as disclosed above, there was no significant investment, material acquisition or disposal of subsidiaries, associates or joint ventures undertaken by the Group.

EVENTS AFTER REPORTING PERIOD

The Group did not have any material subsequent events after the Reporting Period.

USE OF NET PROCEEDS FROM LISTING

On the Listing Date, the Company issued 750 million Shares at an offer price of HK\$1.72 per Share on the Stock Exchange by way of global offering. The net proceeds from the global offering (after deducting the underwriting fees and commissions and other expenses payable by the Company in connection with the global offering) amounted to approximately HK\$1,074.0 million (equivalent to approximately RMB907.3 million).

The use of net proceeds from the global offering for the six months ended 30 June 2021 is set out as follows:

	Use of net proceeds as disclosed in the prospectus of the Company dated 9 May 2016 (RMB million)	Actual use of net proceeds up to 30 June 2021 (RMB million)	Unutilised net proceeds up to 30 June 2021 (RMB million)	Expected time of full of utilization of remaining balance
Improve the distribution and sales as well as marketing including (i) brand promotion, advertising and marketing; (ii) expansion of the distributor points of sales overhaul campaign; (iii) expansion of the international sales; and (iv) development of the online platform, including online sales promotion and marketing;	453.7	453.7	–	–
Business expansion, including (i) purchases of new automated production equipment and production expansion; and (ii) potential mergers and acquisitions;	272.2	159.8	112.4	31 December 2021
Research and development of products, improvement of research and development facilities as well as recruitment of research and development personnel; and	90.7	90.7	–	–
General working capital	90.7	90.7	–	–
Total	907.3	794.9	112.4	

Corporate Governance and Other Information

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. The Company has fully complied with the code provisions set out in the CG Code throughout the Reporting Period. 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 as its own code of conduct regarding securities transactions by the Directors. Specific enquiries have been made to all the Directors who have confirmed that they have complied with the Model Code during the six months ended 30 June 2021.

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

INTERIM DIVIDEND

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2021.

AUDIT COMMITTEE REVIEW

Pursuant to the requirement of the CG Code and the Listing Rules, the Company has established an audit committee (the “**Audit Committee**”) comprising four independent non-executive Directors, being Mr. Li Zongwei (chairman of the Audit Committee), Mr. Yao Naisheng, Mr. Wu Biguang and Mr. Wong Lung Ming, and one non-executive Director, namely Mr. Zhang Yiyin.

The Audit Committee and the Company's management have considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting, including the review of this interim report containing the unaudited condensed consolidated financial information of the Group for the Reporting Period. Details of the Group's prior period adjustments are set out in note 20 of the notes to the condensed consolidated financial information in this report.

To ensure the accuracy of the Company's consolidated financial statements, the Group has taken or will take the following measures: i) the Group is in the course of upgrading the bookkeeping and finance system; ii) the Company has hired and will continue to hire accounting and financial reporting personnel with adequate accounting experience and knowledge; iii) the Company will deliver regular and systematic training and development programs to the accounting team and other relevant personnel; and iv) the Company will specifically require finance managers to conduct regular checks and when necessary, engage external professional parties to perform external reviews, and the chief finance officer shall report to the Board on the relevant findings.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Restated)
Revenue	5.1	12,375,409	7,549,869
Cost of sales	7	(10,530,026)	(6,223,477)
Gross profit		1,845,383	1,326,392
Selling and distribution expenses	7	(604,789)	(451,312)
Administrative expenses	7	(349,365)	(294,475)
Research and development costs	7	(338,953)	(207,731)
Other income and gains – net	6	169,933	109,856
Operating profit		722,209	482,730
Finance costs		(7,315)	(1,376)
Share of losses of investments accounted for using the equity method		(3,110)	–
Profit before income tax		711,784	481,354
Income tax expense	8	(125,808)	(84,930)
Profit for the period		585,976	396,424
Profit attributable to:			
– Owners of the Company		589,161	394,852
– Non-controlling interests		(3,185)	1,572
		585,976	396,424
Earnings per share			
– Basic (cents per share)	10(a)	20.6	13.7
– Diluted (cents per share)	10(b)	20.2	13.6

The accompanying notes on pages 18 to 34 form an integral part of this interim financial information.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Restated)
Profit for the period	585,976	396,424
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value loss on an investment in equity instruments at fair value through other comprehensive income	(804)	–
Exchange difference on translation from functional currency to presentation currency	(3,131)	6,393
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	1,272	146
Other comprehensive (loss)/income for the period, net of income tax	(2,663)	6,539
Total comprehensive income for the period	585,313	402,963
Total comprehensive income attributable to:		
– Owners of the Company	586,498	401,391
– Non-controlling interests	(3,185)	1,572
	585,313	402,963

The accompanying notes on pages 18 to 34 form an integral part of this interim financial information.



Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	<i>Note</i>	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,080,769	1,499,772
Right-of-use assets		574,387	492,713
Intangible assets		48,319	57,113
Investments accounted for using the equity method		65,966	3,076
Equity instruments at fair value through other comprehensive income		20,429	20,519
Prepayments, deposits and other receivables		553,624	302,512
Prepayment for acquisition of property, plant and equipment and right-of-use assets		58,900	48,712
Deferred income tax assets		65,867	46,047
Other long-term assets		131,931	172,127
Total non-current assets		3,600,192	2,642,591
Current assets			
Inventories	12	1,032,696	680,246
Trade receivables	13	714,619	377,146
Prepayments, deposits and other receivables		528,696	329,812
Wealth management products and structured deposits		4,084,668	3,962,963
Equity investments at fair value through profit or loss		86,123	45,000
Debt instruments at fair value through other comprehensive income		50,251	349,180
Pledged bank deposits		2,815,466	4,108,483
Term deposits with initial term over 3 months		–	100,000
Cash and cash equivalents		5,350,251	3,420,934
Total current assets		14,662,770	13,373,764
Total assets		18,262,962	16,016,355

Condensed Consolidated Statement of Financial Position As at 30 June 2021

	<i>Note</i>	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		41,668	26,181
Lease liabilities		48,028	53,689
Other non-current liabilities		253,824	97,671
Total non-current liabilities		343,520	177,541
Current liabilities			
Trade and bills payables	14	12,121,021	10,786,030
Other payables and accruals		1,100,135	920,268
Contract liabilities		301,127	364,139
Lease liabilities		23,161	22,819
Tax liabilities		157,838	142,715
Dividends payable	9	453,513	–
Total current liabilities		14,156,795	12,235,971
Total liabilities		14,500,315	12,413,512
Net assets		3,762,647	3,602,843
EQUITY			
Share capital	15	187	187
Share premium and reserves		3,752,301	3,589,312
Equity attributable to owners of the Company		3,752,488	3,589,499
Non-controlling interests		10,159	13,344
Total equity		3,762,647	3,602,843

The accompanying notes on pages 18 to 34 form an integral part of this interim financial information.



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company											
	Share							Share			Non-	
	Share capital	Merger reserve	premium account	Statutory reserve	FVTOCI reserve	Treasury shares	Translation reserve	award reserve	Retained profits	Sub-total	controlling interests	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	187	(121,024)	379,444	180,738	4,574	(286,907)	8,751	88,170	3,335,566	3,589,499	13,344	3,602,843
Profit for the period	-	-	-	-	-	-	-	-	589,161	589,161	(3,185)	585,976
Other comprehensive income for the period, net of income tax	-	-	-	-	(804)	-	(1,859)	-	-	(2,663)	-	(2,663)
Total comprehensive income for the period	-	-	-	-	(804)	-	(1,859)	-	589,161	586,498	(3,185)	583,313
Dividends provided for or paid	-	-	(397,672)	-	-	-	-	-	(55,841)	(453,513)	-	(453,513)
Employee share schemes – value of employee services	-	-	-	-	-	-	-	11,537	-	11,537	-	11,537
Restricted share units vested	-	-	18,228	-	-	25,412	-	(25,173)	-	18,467	-	18,467
As at 30 June 2021 (unaudited)	187	(121,024)	-	180,738	3,770	(261,495)	6,892	74,534	3,868,886	3,752,488	10,159	3,762,647
At 1 January 2020 (restated)	187	(121,024)	645,536	177,294	4,663	(116,742)	45,816	38,687	2,381,621	3,056,038	11,444	3,067,482
Profit for the period (restated)	-	-	-	-	-	-	-	-	394,852	394,852	1,572	396,424
Other comprehensive income for the period, net of income tax	-	-	-	-	-	-	6,539	-	-	6,539	-	6,539
Total comprehensive income for the period	-	-	-	-	-	-	6,539	-	394,852	401,391	1,572	402,963
Employee share schemes – value of employee services	-	-	-	-	-	-	-	27,641	-	27,641	-	27,641
Purchase of share for share award scheme	-	-	-	-	-	(122,219)	-	-	-	(122,219)	-	(122,219)
Transfer to statutory reserve	-	-	-	782	-	-	-	-	(782)	-	-	-
As at 30 June 2020 (restated)	187	(121,024)	645,536	178,076	4,663	(238,961)	52,355	66,328	2,775,691	3,362,851	13,016	3,375,867

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	2,700,701	1,259,051
Income tax paid	(115,017)	(88,614)
Net cash generated from operating activities	2,585,684	1,170,437
Cash flows from investing activities		
Proceeds from disposal of term deposits with initial term over 3 months	100,000	–
Repayment of loans by third parties and a related party	21,152	–
Interest received from bank deposits	32,298	11,709
Purchases of property, plant and equipment and other long-term assets	(635,165)	(352,172)
Purchases of land use rights	(211,465)	(39,159)
Purchase of investments accounted for using the equity method	(66,000)	–
Purchase of equity instruments at fair value through profit or loss	(38,632)	–
Proceeds from disposal of property, plant and equipment and intangible assets	2,342	17,052
Purchases of intangible assets	(4,351)	(8,732)
Purchase of wealth management products and structured deposits	(33,532,269)	(28,306,005)
Redemption of wealth management products and structured deposits	33,427,507	27,892,162
Interest received from wealth management products and structured deposits	97,237	71,832
Net cash used in investing activities	(807,346)	(713,313)
Cash flows from financing activities		
Borrowing	156,153	40,983
Proceeds from exercise of restricted share units	10,929	–
Repayments of lease liabilities	(13,792)	(10,186)
Repurchase of shares	–	(122,219)
Net cash generated from/(used in) financing activities	153,290	(91,422)
Net increase in cash and cash equivalents	1,931,628	365,702
Effect of foreign exchange rate changes on cash and cash equivalent	(2,311)	3,616
Cash and cash equivalents at beginning of the period	3,420,934	2,636,553
Cash and cash equivalents at end of the period	5,350,251	3,005,871

The accompanying notes on pages 18 to 34 form an integral part of this interim financial information.

Notes to the Condensed Consolidated Financial Information

1 GENERAL INFORMATION

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 in Hong Kong 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 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 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 are Mr. Dong Jinggui and Ms. Qian Jinghong.

The condensed consolidated financial information has been approved for issue by the Board on 27 August 2021.

2 BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020 and any public announcements made by the Company during the six months ended 30 June 2021.

Notes to the Condensed Consolidated Financial Information

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings (Note 8) and the adoption of new and amended standards (Note 3.1) as set out below.

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current Reporting Period, which did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

3.2 New standards and amendments to standards that have been issued but not effective

A number of new standards and amendments to standards have not come into effect for the financial year beginning 1 January 2021 and have not been early adopted by the Group in preparing the condensed consolidated financial information. None of these is expected to have a significant effect on the condensed consolidated financial information of the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing the condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2020.



Notes to the Condensed Consolidated Financial Information

5 REVENUE AND SEGMENT INFORMATION

5.1 Disaggregation of revenue from contract with customers

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Restated)
Types of goods		
Electric scooters	5,420,725	3,604,001
Electric bicycle	3,889,264	2,152,699
Batteries and chargers	2,894,462	1,703,250
Electric two-wheeled vehicle parts	170,958	89,919
	12,375,409	7,549,869
Timing of revenue recognition		
At point in time	12,375,409	7,549,869

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*.

Notes to the Condensed Consolidated Financial Information

5 REVENUE AND SEGMENT INFORMATION (Continued)

5.2 Segment information

For management purposes, the Group is not organised into business units based on their products and services, the Group has only one reportable operating segment which is engaged in the development, manufacture and sale of electric 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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other income		
Government grants	23,169	21,283
Bank interest income	32,298	11,709
Others	7,739	2,631
	63,206	35,623
Other gains		
Gains from financial assets at fair value through profit or loss	114,098	71,012
Net loss on disposal of property, plant and equipment and intangible assets	(4,197)	(4,489)
Net foreign exchange (losses)/gains	(1,011)	475
Others	(2,163)	7,235
	106,727	74,233
	169,933	109,856

Notes to the Condensed Consolidated Financial Information

7 EXPENSE BY NATURE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Restated)
Raw materials and consumables used	10,255,846	6,113,824
Employee benefits expenses	687,344	390,881
Advertising expenses	209,800	230,247
Freight expenses	123,008	104,879
Outsourcing labor fee	79,770	46,992
Outsourcing processing fee	72,836	35,014
Depreciation of property, plant and equipment	69,298	42,200
Travelling and transportation expenses	67,130	26,018
Amortisation of other long-term assets	40,195	28,788
Consulting and professional service expenses	33,795	36,637
Product design fee	22,367	10,107
Depreciation of right-of-use assets	16,900	7,848
Amortisation of intangible assets	13,145	10,278
Short-term and low-value lease	10,192	3,980
Auditor's remuneration	3,213	1,525
– Audit services	3,150	1,525
– Non-audit services	63	–
Other expenses	118,294	87,777
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	11,823,133	7,176,995

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Restated)
Current PRC Enterprise Income Tax	130,141	82,817
Deferred income tax	(4,333)	2,113
Income tax expense for the period	125,808	84,930

Notes to the Condensed Consolidated Financial Information

9 DIVIDENDS

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2021.

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Final dividends for the year ended 31 December 2020 of 19 HK cents per fully paid share	453,513	–

10 EARNINGS PER SHARE

(a) Basic

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 interim period.

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Restated)
Profit attributable to owners of the Company (RMB'000)	589,161	394,852
Weighted average number of ordinary shares in issue (thousand shares)	2,855,144	2,890,452
Basic EPS (in RMB cents/share)	20.6	13.7

Notes to the Condensed Consolidated Financial Information

10 EARNINGS PER SHARE (Continued)

(b) Diluted

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

For the six months ended 30 June 2021, the Restricted Share Units (“RSUs”) granted by the Company in January 2020 have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from RSUs granted by the Company.

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Restated)
Profit attributable to owners of the Company arising from (RMB'000):	589,161	394,852
Weighted average number of ordinary shares in issue (thousand shares)	2,855,144	2,890,452
Adjustments for share based compensation – RSUs (thousand shares)	58,423	21,986
Weighted average number of ordinary shares for the calculation of diluted EPS (thousand shares)	2,913,567	2,912,438
Diluted EPS (in RMB cents/share)	20.2	13.6

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with cost of RMB666,743,241 (the six months ended 30 June 2020: RMB355,930,000).

Property, plant and equipment with a net book value of RMB5,442,209 were disposed of by the Group during the six months ended 30 June 2021 (the six months ended 30 June 2020: RMB14,306,000).

As at 30 June 2021, certain of the Group's buildings and construction in progress with an aggregate net carrying amount of RMB423,498,745 (31 December 2020: RMB364,857,000) were pledged to secure the Group's bills payable.

Notes to the Condensed Consolidated Financial Information

12 INVENTORIES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Raw materials	687,938	358,463
Finished goods	344,758	321,783
	1,032,696	680,246

13 TRADE RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables	722,911	381,559
Less: allowance for credit losses	(8,292)	(4,413)
	714,619	377,146

The following is an ageing analysis of trade receivables, presented based on the invoice dates:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 6 months	688,275	369,840
over 6 months	34,636	11,719
	722,911	381,559



Notes to the Condensed Consolidated Financial Information

14 TRADE AND BILLS PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables	4,928,140	3,134,351
Bills payable	7,192,881	7,651,679
	12,121,021	10,786,030

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 3 months	4,897,648	3,111,822
3 to 6 months	16,094	15,337
6 to 12 months	7,297	1,101
12 to 24 months	1,961	860
Over 24 months	5,140	5,231
	4,928,140	3,134,351

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

Notes to the Condensed Consolidated Financial Information

15 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		
At 31 December 2020 and 30 June 2021	2,995,000,000	30
Equivalent to RMB'000		187

(b) Treasury shares

For the six months ended 30 June:

	Number of shares		RMB'000	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Treasury shares				
At beginning of period	148,588,539	97,006,539	286,907	116,742
Share repurchase for share award scheme	–	43,180,000	–	122,219
Vested and transferred to employees	(22,194,000)	–	(25,412)	–
At end of period	126,394,539	140,186,539	261,495	238,961

(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 was established under a trust deed entered into by the Company to administer the schemes, and for the purchase or subscription of the shares of the Company, based on financial support given by the Group. Any shares subsequently awarded by the Company to the qualifying employees will be settled with the shares held by the trust on behalf of the Company. The Directors have determined that the Company controls the trust through the trust deed and therefore consolidates the trust.

In the six months ended 30 June 2020, the Group repurchased 43,180,000 shares with consideration of RMB122,219,000 from the secondary market. These shares repurchased were used for share award schemes.

Notes to the Condensed Consolidated Financial Information

15 SHARE CAPITAL (Continued)

(c) Share based payment (Continued)

RSUs

The following table summarizes certain information in respect of RSUs activity for the six months ended 30 June:

	Number of Awards		Weighted Average Grant Date Fair Value Per Share	
	2021 (Unaudited)	2020 (Unaudited)	2021 RMB (Unaudited)	2020 RMB (Unaudited)
RSUs outstanding, beginning of period	75,200,000	–	1.13	–
Granted ⁽ⁱ⁾	–	75,200,000	–	1.13
Vested	(22,194,000)	–	1.13	–
RSUs outstanding, end of period	53,006,000	75,200,000	1.13	1.13

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

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
RSUs granted	11,537	27,641

Notes to the Condensed Consolidated Financial Information

16 CAPITAL COMMITMENTS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statement	685,026	612,736

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Financial assets		
Financial assets at fair value through profit or loss ("FVTPL")	4,170,791	4,007,963
– Wealth management products and structured deposits at FVTPL	4,084,668	3,962,963
– Equity investments at FVTPL	86,123	45,000
Financial assets at amortised cost	9,043,035	8,145,077
– Cash and cash equivalents	5,350,251	3,420,934
– Pledged bank deposits	2,815,466	4,108,483
– Term deposits with initial term over 3 months	–	100,000
– Trade receivables	714,619	377,146
– Other receivables	162,699	138,514
Equity instruments at fair value through other comprehensive income ("FVTOCI")	20,429	20,519
Debt instruments at FVTOCI	50,251	349,180
	13,284,506	12,522,739
Financial liabilities		
At amortised cost:		
– Trade and bills payable	12,121,021	10,786,030
– Other payables and accruals*	772,471	643,462
– Other non-current liabilities	253,824	97,671
– Lease liabilities	71,189	76,508
	13,218,505	11,603,671

* Excluding staff costs and welfare accruals and other taxes.

Notes to the Condensed Consolidated Financial Information

17 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Fair Value Measurements of Financial Instruments

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of 30 June 2021				
Assets				
– Wealth management products and structured deposits at FVTPL	–	4,084,668	–	4,084,668
– Equity instruments at FVTPL	44,490	–	41,633	86,123
– Equity instruments at FVTOCI	–	–	20,429	20,429
– Debt instruments at FVTOCI	–	50,251	–	50,251
	44,490	4,134,919	62,062	4,241,471

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of 31 December 2020				
Assets				
– Wealth management products and structured deposits at FVTPL	–	3,962,963	–	3,962,963
– Equity investment at FVTPL	–	–	45,000	45,000
– Equity instruments at FVTOCI	–	–	20,519	20,519
– Debt instruments at FVTOCI	–	349,180	–	349,180
	–	4,312,143	65,519	4,377,662

The following table presents the changes in level 3 items for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At the beginning of the period	65,519	18,731
Addition	41,633	–
Fair value change recognised in other comprehensive income	(804)	160
Currency translation difference	714	–
Reclassified to level 1	(41,999)	–
Refund of prepayment for an investment	(3,001)	–
At the end of the period	62,062	18,891

Notes to the Condensed Consolidated Financial Information

18 RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries	4,524	2,976
Pension scheme contribution and social welfare	188	91
Share-based compensation expenses	2,539	5,227
	7,251	8,294

19 SUBSEQUENT EVENTS

There were no material subsequent events during the period from 30 June 2021 to the approval date of these condensed consolidated financial information by the Board of Directors on 27 August 2021.

20 RESTATEMENTS

As the Company's business continues to expand, the Company also improves its internal control systems needed for financial reporting and business development on an ongoing basis to ensure its business operations to comply with applicable laws and regulations, and information on assets, financial figures and other relevant information are accurately and completely presented. As a result, during the preparation of the condensed consolidated financial information of the Group for the six months ended 30 June 2021, it has come to the Company's attention that certain errors in the comparative financial information presented.

(a) Expense cut-off error

Errors in the accuracy of expense recognition for certain advertising expenses, consulting expenses and employee benefit expenses were identified. These errors resulted in an overstatement of selling and distribution expenses, administrative expenses and research and development costs and an overstatement of income tax expense in the six months ended 30 June 2020.

These errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

Condensed consolidated statement of profit or loss

	Six months ended 30 June 2020 RMB'000
– Decrease in Selling and distribution expenses	12,998
– Decrease in Administrative expenses	18,478
– Decrease in Research and development costs	9,976
– Increase in Income tax expense	(8,231)

Notes to the Condensed Consolidated Financial Information

20 RESTATEMENTS (Continued)

(b) Revenue recognition

An error in the accounting for payment to customers was identified. The Company's payment to customers should be recognized as deduction of revenue while it was incorrectly recognized in cost of sales and selling and distribution expenses. The error resulted in an overstatement of revenue, cost of sales and selling and distribution expenses in the six months ended 30 June 2020.

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

Condensed consolidated statement of profit or loss

	Six months ended 30 June 2020 RMB'000
– Decrease in Revenue	(88,822)
– Decrease in Cost of sales	22,689
– Decrease in Selling and distribution expenses	66,133

(c) Depreciation of property, plant and equipment and amortisation of intangible assets

Errors in the depreciation of property, plant and equipment and amortisation of intangible assets were identified. The depreciation of certain property, plant and equipment and amortization of certain intangible assets were not correctly calculated and recorded in the six months ended 30 June 2020. These errors resulted in an understatement of selling and distribution expenses and research and development costs in the six months ended 30 June 2020.

These errors have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Condensed consolidated statement of profit or loss

	Six months ended 30 June 2020 RMB'000
– Increase in Selling and distribution expenses	(20,187)
– Increase in Research and development costs	(3,144)

Notes to the Condensed Consolidated Financial Information

20 RESTATEMENTS (Continued)

Financial impacts of the errors identified

The amounts presented as the comparative figures in the condensed consolidated financial information for the six months ended 30 June 2021 have been restated to correct the above errors identified. The financial impacts in the prior period are summarised as follows:

Condensed consolidated statement of profit or loss (extract)

	Six months ended 30 June 2020 RMB'000 (Previously reported)	Restatements RMB'000	Six months ended 30 June 2020 RMB'000 (Restated)
Revenue	7,638,691	(88,822)	7,549,869
Cost of sales	(6,246,166)	22,689	(6,223,477)
Gross profit	1,392,525	(66,133)	1,326,392
Selling and distribution expenses	(510,256)	58,944	(451,312)
Administrative expenses	(312,953)	18,478	(294,475)
Research and development costs	(214,563)	6,832	(207,731)
Profit before income tax	463,233	18,121	481,354
Income tax expense	(76,699)	(8,231)	(84,930)
Profit for the period	386,534	9,890	396,424
Profit attributable to:			
– Owners of the Company	384,962	9,890	394,852
– Non-controlling interests	1,572	–	1,572
	386,534	9,890	396,424
Earnings per share			
– Basic (cents per share)	13.3	0.4	13.7
– Diluted (cents per share)	13.2	0.4	13.6

Notes to the Condensed Consolidated Financial Information

20 RESTATEMENTS (Continued)

Financial impacts of the errors identified (Continued)

Condensed consolidated statement of profit or loss and other comprehensive income (extract)

	Six months ended 30 June 2020 RMB'000 (Previously reported)	Restatements RMB'000	Six months ended 30 June 2020 RMB'000 (Restated)
Profit for the period	386,534	9,890	396,424
Total comprehensive income attributable to:			
– Owners of the Company	391,501	9,890	401,391
– Non-controlling interests	1,572	–	1,572
	393,073	9,890	402,963