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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under "**Review of Unaudited Annual Results**", the auditing process for the annual results of Yadea Group Holdings Ltd. (雅迪集團控股有限公司) (the "**Company**") and its subsidiaries (collectively the "**Group**", "**our Group**", "**we**"or "**us**") for the year ended 31 December 2019 (the "**Reporting Period**") has not been completed. In the meantime, the board (the "**Board**") of directors (the "**Directors**") is pleased to announce the unaudited consolidated annual results of the Group, together with the comparative figures for the year ended 31 December 2018 as follows:

FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue increased by approximately 20.7% to RMB11,968.2 million, as compared with the year ended 31 December 2018.
- Gross profit increased by approximately 28.3% to RMB2,078.1 million, as compared with the year ended 31 December 2018.
- Profit attributable to owners of the Company increased by approximately 19.8% to RMB516.4 million, as compared with the year ended 31 December 2018.
- Basic earnings per share was RMB17.5 cents, up by RMB3.1 cents, as compared with the year ended 31 December 2018.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*4*	**11,968,238**	9,916,652
Cost of sales		**(9,890,100)**	(8,297,067)
Gross profit		**2,078,138**	1,619,585
Other income and gains, net		**187,405**	164,415
Selling and distribution expenses		**(769,506)**	(581,800)
Administrative expenses		**(504,327)**	(417,199)
Research and development costs		**(386,137)**	(305,448)
Finance costs	*6*	**(2,216)**	(809)
Profit before tax	*7*	**603,357**	478,744
Income tax expense	*8*	**(83,087)**	(46,427)
Profit for the year		**520,270**	432,317
Profit for the year attributable to:			
Owners of the Company		**516,411**	431,036
Non-controlling interests		**3,859**	1,281
		520,270	432,317
Earnings per share			
Basic (cents per share)	*10*	**17.5**	14.4
Diluted (cents per share)	*10*	**N/A**	N/A

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Profit for the year	**520,270**	432,317
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Fair value gain/(loss) on an investment in equity instruments at fair value through other comprehensive income	**3,426**	(2,468)
Exchange differences on translation from functional currency to presentation currency	**80,897**	144,460
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(67,845)**	(116,622)
Other comprehensive income for the year, net of income tax	**16,478**	25,370
Total comprehensive income for the year	**536,748**	457,687
Total comprehensive income attributable to:		
Owners of the Company	**532,889**	456,406
Non-controlling interests	**3,859**	1,281
	536,748	457,687

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**1,242,263**	1,163,301
Right-of-use assets		**326,347**	–
Prepaid lease payments		**–**	286,167
Intangible assets		**17,619**	14,862
Equity instrument at fair value through other comprehensive income		**18,731**	15,305
Prepayments and other receivables		**122,728**	82,166
Prepayment for acquisition of property, plant and equipment		**155,119**	65,939
Deferred tax assets		**17,522**	6,846
		1,900,329	1,634,586
Current assets			
Inventories	*11*	**638,935**	259,492
Trade receivables	*12*	**181,874**	278,079
Prepayments, deposits and other receivables		**394,191**	579,599
Wealth management products and structured deposits		**3,582,866**	1,967,487
Debt instruments at fair value through other comprehensive income		**167,318**	79,024
Pledged bank deposits		**1,244,267**	987,530
Bank balances and cash		**2,636,553**	1,973,390
		8,846,004	6,124,601
Current liabilities			
Trade and bills payables	*13*	**6,858,431**	4,580,418
Other payables and accruals		**474,233**	290,242
Contract liabilities		**147,266**	48,600
Lease liabilities		**10,998**	–
Tax liabilities		**76,133**	20,209
		7,567,061	4,939,469
Net current assets		**1,278,943**	1,185,132
Total Assets less Current Liabilities		**3,179,272**	2,819,718
Non-current liabilities			
Lease liabilities		**35,442**	–
		3,143,830	2,819,718
Capital and reserve			
Share capital		**187**	188
Share premium and reserves		**3,132,199**	2,811,945
Equity attributable to owners of the Company		**3,132,386**	2,812,133
Non-controlling interests		**11,444**	7,585
Total equity		**3,143,830**	2,819,718

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

Yadea Group Holdings Ltd. (the "Company") is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. 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 Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the development, manufacture and sale of electric vehicles and related accessories in the People's Republic of China (the "PRC").

In the opinion of the directors of the Company (the "Directors"), the ultimate holding companies of the Company are Dai Wei Investment Company Limited and Fang Yuan Investment Company Limited, which are incorporated in the British Virgin Islands, and the ultimate controlling shareholders of the Company are Mr. Jinggui Dong and Ms. Jinghong Qian (the "Controlling Shareholders").

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 new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of machinery and equipment in the PRC was determined on a portfolio basis; and
v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.00%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	53,233
Lease liabilities discounted at relevant incremental borrowing rates	46,494
Add: Lease liabilities resulting from lease modifications of existing leases	3,044
Less: Recognition exemption – short-term leases	981
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	48,557
Analysed as	
Current	8,535
Non-current	40,022
	48,557

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Note	**Right-of-use assets**
		RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		48,557
Reclassified from prepaid lease payments	a	286,167
		334,724

a. Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the prepaid lease payments amounting to RMB286,167,000 were reclassified to right-of-use assets.

The transition to HKFRS 16 does not have any impact on retained profits at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS16 at 1 January 2019 RMB'000
Non-current Assets				
Right-of-use assets		–	334,724	334,724
Prepaid lease payments	a	286,167	(286,167)	–
Current Liabilities				
Lease liabilities		–	(8,535)	8,535
Non-current liabilities				
Lease liabilities		–	(40,022)	40,022

For the purpose of reporting cash flows from operating activities under indirect method for the whole year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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

HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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. REVENUE, OTHER INCOME AND GAINS, NET

(a) Disaggregation of revenue from contract with customers

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Types of goods		
Electric scooters	**6,393,253**	5,083,846
Electric bicycles	**2,837,816**	2,514,486
Batteries and chargers	**2,623,746**	2,195,189
Electric two-wheeled vehicle parts	**113,423**	123,131
	11,968,238	9,916,652
Timing of revenue recognition		
At point in time	**11,968,238**	9,916,652

(b) Performance obligations for contracts with customers

The Group sells electronic vehicles to the distributors. For all sales of electronic vehicles, revenue is recognised when control of the goods has transferred, being when the goods have been packed for shipment and out of the Group's warehouse (delivery).

Following delivery, the distributors have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when selling the goods and bear the risks of obsolescence and loss in relation to the goods.

Full payment is typically required from distributors of the Group before delivery of goods, except for some distributors with credit period. The credit terms generally vary from 15 days to 180 days from the date of billing.

Under the Group's standard contract terms with both distributors and suppliers, distributors are not allowed to exchange or return the goods delivered and suppliers are responsible for all replacement and repairment of damaged products that are with warranty. When the customers initially prepay for the goods, the transaction price received by the Group is recognized as a contract liability until the goods have been packed for shipment and out of the Group's warehouse.

All of the sales and services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(c) Other income and gains, net

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other income		
Government grants	**40,387**	12,914
Bank interest income	**28,507**	30,854
Others	**5,164**	5,957
	74,058	49,725
Other gains		
Gains on financial assets at FVTPL	**112,140**	108,572
Foreign exchange gains	**464**	5,892
Net gain on disposal of property, plant and equipment	**743**	226
	187,405	164,415

5. 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 vehicles and related accessories. Accordingly, no segment information is presented.

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

Geographical information

Since over 90% of the Group's revenue and operating profit were generated from the sale of electric vehicles in the PRC and over 90% of the Group's non-current assets and liabilities were located in the PRC, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

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*.

6. FINANCE COSTS

	For the year ended 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Interest on bank loans	**–**	809
Interest of lease liabilities	**2,216**	–
	2,216	809

7. PROFIT BEFORE TAX

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

	For the year ended 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
(a) Cost of sales:		
Cost of inventories sold	**9,890,100**	8,297,067
(b) Employee benefit expenses (including Directors' and chief executive's remuneration):		
Wages and salaries	**481,178**	375,932
Pension scheme contributions (defined contribution scheme), social welfare and other welfare	**73,533**	57,541
	554,711	433,473
(c) Other items:		
Depreciation of property, plant and equipment	**87,682**	79,585
Depreciation of right-of-use assets	**18,018**	–
Amortisation of prepaid lease payments	**–**	7,225
Amortisation of intangible assets	**7,000**	6,078
Auditor's remuneration	**3,050**	2,700
Research and development costs *(Note)*	**386,137**	305,448
Operating lease expenses	**1,495**	12,491

Note: Research and development costs included wages and salaries amounting to RMB76,418,000 for the year ended 31 December 2019 (2018: RMB38,424,000), which are also included in employee benefit expenses as disclosed in note 7(b) above.

8. INCOME TAX EXPENSE

	For the year ended	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current PRC Enterprise Income Tax	**98,815**	41,620
Over provision in prior years	**(5,052)**	(3,622)
Deferred tax	**(10,676)**	8,429
Total tax charge for the year	**83,087**	46,427

9. DIVIDENDS

	For the year ended	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 final – 4.0 HK cents (2018: 2017 final dividend 4.0 HK cents) per ordinary share	**105,672**	101,171

Subsequent to the end of the reporting period, no final dividend was proposed in respect of the year ended 31 December 2019 for ordinary shareholders of the Group (2018: HKD119,729,000 equivalent to RMB105,672,000)

10. EARNINGS PER SHARE

The calculations of the basic earnings per share attributable to owners of the Company is based on following data:

	For the year ended	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Earnings figures are calculated as follows:		
Profit of the year attributable to owners of the Company	**516,411**	431,036

	For the year ended	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,955,469,090**	2,999,981,425

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted taking into account the shares repurchased for the years ended 31 December 2019 and 2018.

No diluted earnings per share for both 2019 and 2018 were presented as there were no potential ordinary shares in issue for both 2019 and 2018.

11. INVENTORIES

	31/12/2019	31/12/2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Raw materials	**424,727**	123,667
Finished goods	**214,208**	135,825
	638,935	259,492

12. TRADE RECEIVABLES

	31/12/2019	31/12/2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	**184,180**	280,385
Less: allowance for credit losses	**(2,306)**	(2,306)
	181,874	278,079

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

	31/12/2019	31/12/2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 6 months	**181,874**	278,079

13. TRADE AND BILLS PAYABLES

	31/12/2019	31/12/2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	**2,528,916**	1,784,942
Bills payable	**4,329,515**	2,795,476
	6,858,431	4,580,418

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

	31/12/2019	31/12/2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	**2,495,696**	1,374,410
3 to 6 months	**9,378**	386,892
6 to 12 months	**2,811**	14,156
12 to 24 months	**18,935**	5,716
Over 24 months	**2,096**	3,768
	2,528,916	1,784,942

As at 31 December 2018, included in the trade and bills payables are trade payables to the Group's related parties of RMB355,000, and bills payables to the Group's related parties of RMB2,614,000.

Trade payables are non-interest-bearing and have an average credit term of 15 to 90 days, except certain warranty retention which is payable in 24 months.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2019, the Group continued to perform well and delivered record volume, sales and profit, all set against a challenging global political and macroeconomic backdrop. The Group sold an aggregate of approximately 6,093,700 units (which comprised of approximately 3,783,200 units of electric scooters and 2,310,500 units of electric bicycles respectively) of electric two-wheeled vehicles during the year, up by 20.9% from the previous year. The Group's revenue increased by approximately 20.7% from RMB9,916.7 million in 2018 to RMB11,968.2 million in 2019 and gross profit increased by approximately 28.3% from RMB1,619.6 million in 2018 to RMB2,078.1 million in 2019. The Group remains in a healthy financial position with RMB2,636.6 million in cash and cash equivalents and continues to enjoy strong cash flows with net cash generated from operating activities. This is a real testament to the strength of "Yadea"'s brand, products and leading position in the electric two-wheeled vehicles market in the PRC. Instrumental to this achievement was the continued triumph of the Group in gaining customers' confidence by providing high quality and innovative products at competitive prices and the management's commitment and building "Yadea" as a premium brand of electric two-wheeled vehicles domestically and internationally.

Reviewing the past year, the Group has been proactively expanding its market share in the electric two-wheeled vehicles market to solidify its leading position in China. Benefiting from the implementation of new national standards for electric bicycles and thanks to the management's consistent commitment in emphasizing product quality and innovation, research and development capability and brand-management, the sales volume of the Group's electric two-wheeled vehicles has been showing an upward trend since April 2019. The Group has actively broadening distribution network, boosting marketing effort and deepening cooperation with distributors to reach a broader customer base. The Group's sales network covered almost every administrative region of the PRC and consisted of 2,155 distributors (2018: 1,824 distributors) as well as their sub-distributors with over 12,000 points of sales (2018: over 9,000 points of sales) as at 31 December 2019. Internationally, the Group had export products to over 80 countries through its international distribution network. In addition, to improve its sales online, the Group has established a dedicated sales team focusing on sales and marketing through various e-commerce platforms such as Tmall, JD.com, Pinduoduo and Suning and made decent progress. The Group sold 173,000 units of electric two-wheeled vehicles online in 2019 as compared with 7,719 units in 2018, demonstrating its ability in strategic execution and goal accomplishment.

In order to maintain the Group's core competitiveness and build medium to long term competitive advantages, the Group continued to direct its focus on research and development, in particular, on the design of new products and new technology for core parts and components to cope with rapidly evolving changes in the electric two-wheeled vehicles industry in China. It is noteworthy that Yadea showcased its latest technology breakthrough on graphene battery at an industrial exhibition in Nanjing in October. The advantages of Yadea's graphene battery include long battery life can reach over 1000 times charging cycles, fast charging for high current, larger power storage capacity and strong impact resistance ability in high and low temperature which tackle common issues such as battery durability and charging speed that the industry needs to address. The Group also launched a number of new or modified models of electric scooters and electric bicycles, among which, electric scooter G5 model won The China Red Star Design Award and G6 model won the Red Dot Award: Product Design for their outstanding design. As at 31 December 2019, the Group had 100 models of electric scooters and 62 models of electric bicycles with diverse designs, styles and functionalities all of them are available in different colours giving more choices to customers.

OUTLOOK

2020 is a year of challenges and opportunities. It is expected that the Group's full-year results of operations might be affected to certain extent in light of the fact that the outbreak of the COVID-19 has not been completely contained in the PRC and overseas countries at this stage. However, the management will actively keep monitoring the performance of the Group and assessing the impact to the Group, and will implement fitting strategy in a timely manner. The Group will continue to allocate more resources for research and development, enriching product portfolio, keeping a close eye on enhancing the brand equity, maintaining a premium pricing strategy and exploring opportunities for strategic cooperation, so as to further consolidate and strengthen our leading position in the electric two-wheeled vehicles industry in the PRC. Overall, the management remains very optimistic towards the future business prospect of the Group.

Financial Review

Revenue

The Group recorded revenue of RMB11,968.2 million, representing an increase of approximately 20.7% from RMB9,916.7 million in 2018. Revenue from the sales of electric scooters increased by approximately 25.8%, from RMB5,083.8 million in 2018 to RMB6,393.3 million in 2019, and revenue from the sales of electric bicycles increased by approximately 12.9%, from RMB2,514.5 million in 2018 to RMB2,837.8 million in 2019, primarily due to the increase in market demand for the Group's products resulting from (i) the implementation of new national standards for electric bicycles since 15 April 2019; (ii) the increase of marketing activities and (iii) the expansion of sales network of the Group. The average selling prices of the electric scooters decreased slightly from RMB1,698 in 2018 to RMB1,690 in 2019, and that of the electric bicycles remained stable at around RMB1,228 in 2019.

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

	For the year ended 31 December 2019			For the year ended 31 December 2018		
Product Type	**Revenue** ***(RMB'000)*** **(Unaudited)**	**% of total**	**Volume** ***'000 units***	Revenue *(RMB'000)* (Audited)	% of total	Volume *'000 units*
Electric scooters	**6,393,253**	**53.4**	**3,783.2**	5,083,846	51.3	2,994.5
Electric bicycles	**2,837,816**	**23.7**	**2,310.5**	2,514,486	25.4	2,045.4
Subtotal	**9,231,069**	**77.1**	**6,093.7**	7,598,332	76.7	5,039.9
Batteries and chargers	**2,623,746**	**21.9**	**Batteries: 5,417.9 Chargers: 4,180.8**	2,195,189	22.1	Batteries: 3,797.1 Chargers: 3,488.8
Electric two-wheeled vehicle parts	**113,423**	**1**	**N/A**	123,131	1.2	N/A
Total	**11,968,238**	**100.0**	**15,692.4**	9,916,652	100.0	12,325.8

Cost of sales

Cost of sales of the Group increased by approximately 19.2% from RMB8,297.1 million in 2018 to RMB9,890.1 million in 2019, 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 28.3% from RMB1,619.6 million in 2018 to RMB2,078.1 million in 2019, and the gross profit margin increased by 1.1% from approximately 16.3% in 2018 to approximately 17.4% in 2019, primarily due to the combined effect of (i) the decrease in unit costs resulting from the increase in purchase volume of the raw materials and (ii) the increase in sales volume of electric scooters and electric bicycles.

Other income and gains

Other income and gains of the Group increased by approximately 14.0% from RMB164.4 million in 2018 to RMB187.4 million in 2019, primarily due to the increase in government grant received for investment in new technologies.

Administrative expenses

Administrative expenses of the Group increased by approximately 20.9% from RMB417.2 million in 2018 to RMB504.3 million in 2019, primarily due to the increases in headcount and average staff salaries.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 32.3% from RMB581.8 million in 2018 to RMB769.5 million in 2019, primarily due to the increase in selling expenses in order to provide better after-sales services.

Research and development costs

Research and development costs increased by approximately 26.4% from RMB305.4 million in 2018 to RMB386.1 million in 2019, primarily due to the continued investment in various research and development projects relating to new products and new technologies.

Finance costs

The Group incurred RMB2.2 million finance costs in 2019 due to the interest expense incurred relating to the lease liabilities.

Income tax expense

Income tax expense increased by approximately 79% from RMB46.4 million in 2018 to RMB83.1 million in 2019, primarily due to the increase in profits resulting from an increase in revenue.

Profit for the year

As a result of the cumulative effect of the foregoing, profit of the Group increased by approximately 20.3% from RMB432.3 million in 2018 to RMB520.3 million in 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow

As at 31 December 2019, the Group's cash and cash equivalents amounted to RMB2,636.6 million, representing an increase of approximately 33.6% from RMB1,973.4 million as at 31 December 2018.

The Group's primary source of funding comes from cash flows generated from its operating activities. As at 31 December 2019, 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 RMB2,818.7 million in 2019, as compared with net cash generated from operating activities of RMB319.6 million in 2018. Net cash used in investing activities was RMB1,987.9 million in 2019, as compared with net cash generated from investing activities of RMB751.4 million in 2018. Net cash used in financing activities in 2019 was RMB226.6 million, as compared with net cash used in financing activities of RMB119.6 million in 2018.

Net current assets

As at 31 December 2019, the Group had net current assets of RMB1,278.9 million, as compared with net current assets of RMB1,185.1 million as at 31 December 2018.

Inventories

The Group's inventories consist of raw materials and finished goods. The Group's inventories increased by approximately 146.2% from RMB259.5 million as at 31 December 2018 to RMB638.9 million as at 31 December 2019, primarily due to the increase in stock reserved to cope the potential increase of demand for the Group's products after the Chinese New Year holidays in early 2020. The average inventory turnover days in 2019 increased to 16.5 days from 13.0 days in 2018.

Trade receivables

Trade receivables decreased from RMB278.1 million as at 31 December 2018 to RMB181.9 million as at 31 December 2019, primarily due to the shorter credit terms offered to distributors which expedited the collection of trade receivables.

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 82.1% from RMB1,967.5 million as at 31 December 2018 to RMB3,582.9 million as at 31 December 2019. Such increase was primarily due to the increased purchase of wealth management products with the Group's surplus cash received from its business operations.

Trade and bills payables

Trade and bills payables increased from RMB4,580.4 million as at 31 December 2018 to RMB6,858.4 million as at 31 December 2019, 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 2019, the Group had 4,341 employees, as compared with 3,703 employees as at 31 December 2018 as the Group hired more employees in the production and sales departments. Total staff costs in 2019, including labour outsourcing cost but excluding the Directors' remunerations, were RMB548.0 million, representing an increase of approximately 28.0% from RMB428.2 million in 2018. 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 2019, 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 2019, the pledged assets of the Group amounted to RMB3,592.2 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 2019.

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

The Company has repurchased 5,000,000 of the Company's listed securities during the year ended 31 December 2019. Details of the repurchases of such shares were as follows:

Month of repurchase	**Number of shares repurchased**	**Price per share**		**Aggregate repurchase price**
		Highest *(HKD)*	Lowest *(HKD)*	*(HKD)*
July 2019	5,000,000	1.58	1.54	7,828,200
Total	5,000,000			7,828,200

EVENTS AFTER THE REPORTING PERIOD

There were no significant events relevant to the business or financial performance of the Group that has come to the attention of the Directors since 31 December 2019.

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 2019, 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 2019.

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 2019. 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.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**AGM**") will be held on Friday, 12 June 2020. A notice convening the AGM will be published and despatched to the shareholders of the Company (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 Monday, 8 June 2020
Closure of register of members	Tuesday, 9 June 2020 to Friday, 12 June 2020 (both days inclusive)

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 ("**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 unaudited annual results for the year ended 31 December 2019 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 outbreak. The unaudited results contained herein have not been agreed by the Group's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

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 2019 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.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Group's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 27 March 2020

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.