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Yadea Group Holdings Ltd.

雅迪集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1585)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Yadea Group Holdings Ltd. (雅迪集團控股有限公司) (the “**Company**” or “**Yadea**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**our Group**”, “**we**” or “**us**”) for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2021 as follows:

FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue increased by approximately 15.2% to RMB31,059.4 million, as compared with the year ended 31 December 2021.
- Gross profit increased by approximately 36.9% to RMB5,614.0 million, as compared with the year ended 31 December 2021.
- Profit attributable to owners of the Company increased by approximately 57.8% to RMB2,161.1 million, as compared with the year ended 31 December 2021.
- Basic earnings per share increased by approximately 54.8% to RMB74.0 cents, as compared with the year ended 31 December 2021.
- The Company proposed a 2022 final dividend of 40.0 HK cents per ordinary share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	Note	RMB'000	RMB'000
Revenue	4	31,059,443	26,967,532
Cost of sales	6	<u>(25,445,432)</u>	<u>(22,866,048)</u>
Gross profit		5,614,011	4,101,484
Selling and distribution expenses	6	(1,358,176)	(1,282,933)
Administrative expenses	6	(896,135)	(817,889)
Research and development costs	6	(1,105,845)	(843,685)
Other income and gains – net	5	<u>453,736</u>	<u>380,320</u>
Operating profit		2,707,591	1,537,297
Finance costs	7	(59,399)	(15,284)
Share of losses of investments accounted for using the equity method		<u>(32,925)</u>	<u>(15,028)</u>
Profit before income tax		2,615,267	1,506,985
Income tax expense	8	<u>(432,267)</u>	<u>(140,342)</u>
Profit for the year		<u>2,183,000</u>	<u>1,366,643</u>
Profit for the year attributable to:			
Owners of the Company		2,161,094	1,369,495
Non-controlling interests		<u>21,906</u>	<u>(2,852)</u>
		<u>2,183,000</u>	<u>1,366,643</u>
Earnings per share			
– Basic (RMB cents per share)	10	<u>74.0</u>	<u>47.8</u>
– Diluted (RMB cents per share)	10	<u>72.9</u>	<u>47.0</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December	
		2022	2021
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,291,228	2,211,613
Right-of-use assets		936,464	927,738
Intangible assets		997,042	47,620
Investments accounted for using the equity method		99,622	63,048
Equity investments at fair value through other comprehensive income		2,419	19,993
Prepayments, deposits and other receivables		1,072,295	893,384
Prepayment for acquisition of property, plant and equipment and right-of-use assets		54,020	42,582
Deferred income tax assets		62,141	88,444
Other long-term asset		42,440	98,904
Pledged bank deposits		800,000	–
Term deposits		200,000	–
		<hr/>	<hr/>
Total non-current assets		7,557,671	4,393,326
Current assets			
Inventories	11	1,458,049	1,194,213
Trade receivables	12	388,315	392,607
Prepayments, deposits and other receivables		667,666	403,430
Financial assets at fair value through profit or loss		4,208,546	3,870,339
Debt instruments at fair value through other comprehensive income		20,093	87,756
Pledged bank deposits		3,869,724	2,993,010
Cash and cash equivalents		6,782,622	6,073,112
		<hr/>	<hr/>
Total current assets		17,395,015	15,014,467
		<hr/>	<hr/>
Total assets		24,952,686	19,407,793

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

NOTES TO FINANCIAL STATEMENTS

1 GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principle place of business of the Company is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") with effect from 19 May 2016.

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

In the opinion of the Directors, the ultimate holding companies of the Company are Dai Wei Investment Company Limited and Fang Yuan Investment Company Limited, which are incorporated in the British Virgin Islands, and the ultimate controlling shareholders of the Company are Mr. Dong Jinggui and Ms. Qian Jinghong (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 amendments and interpretation adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to HKFRS 3

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2022 have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants. 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 AND SEGMENT INFORMATION

4.1 Disaggregation of revenue from contract with customers

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

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*.

4.2 Segment information

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

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

- Electric two-wheeled vehicles and related accessories; and
- Batteries.

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

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

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

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

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

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*.

5 OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Other income		
Government grants	166,631	75,300
Bank interest income	179,556	81,150
Others	25,382	15,603
	<u>371,569</u>	<u>172,053</u>
Other gains		
Net fair value gains on financial assets at fair value through profit or loss (“FVTPL”)	77,994	232,651
Net foreign exchange gain/(loss)	20,707	(7,627)
Net loss on disposal of property, plant and equipment and intangible assets	(15,696)	(21,523)
Donations	(1,930)	(246)
Others	1,092	5,012
	<u>82,167</u>	<u>208,267</u>
	<u>453,736</u>	<u>380,320</u>

6 EXPENSE BY NATURE

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

7 FINANCE COSTS

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest charge for borrowings	33,498	–
Interest charges for lease liabilities	6,276	6,174
Other interest expenses	19,625	9,110
	<u>59,399</u>	<u>15,284</u>

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current PRC Enterprise Income Tax	380,217	169,798
Deferred income tax	52,050	(29,456)
	<u>432,267</u>	<u>140,342</u>

9 DIVIDENDS

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

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of 40.0 HK cents (2021: 28.0 HK cents) per ordinary share, in an aggregate amount of HKD1,181,840,000 equivalent to RMB1,034,748,000 (2021: HKD802,322,000 equivalent to RMB653,668,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting of the Company (the “AGM”).

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit attributable to owners of the Company (RMB'000)	<u>2,161,094</u>	<u>1,369,495</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>2,921,284</u>	<u>2,862,212</u>
Basic earnings per share (in RMB cents/share)	<u>74.0</u>	<u>47.8</u>

(b) Diluted earnings per share

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

For the years ended 31 December 2021 and 2022, the Company has the dilutive potential ordinary shares of restricted share units (“RSUs”) granted to employees. For the RSUs, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company’s shares) based on the monetary value of the subscription rights attached to the outstanding RSUs. The RSUs are assumed to have been fully vested and released from restrictions with no impact on earnings.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit attributable to owners of the Company arising from (RMB'000):	<u>2,161,094</u>	<u>1,369,495</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>2,921,284</u>	<u>2,862,212</u>
Adjustments for share based compensation – RSUs (thousand shares)	<u>41,284</u>	<u>53,389</u>
Weighted average number of ordinary shares for the calculation of diluted earnings per share (thousand shares)	<u>2,962,568</u>	<u>2,915,601</u>
Diluted earnings per share (in RMB cents/share)	<u>72.9</u>	<u>47.0</u>

11 INVENTORIES

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

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

12 TRADE RECEIVABLES

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

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	378,822	385,167
Over 6 months	<u>9,493</u>	<u>7,440</u>
	<u>388,315</u>	<u>392,607</u>

13 TRADE AND BILLS PAYABLES

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

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	3,726,902	3,996,106
3 to 6 months	45,458	19,677
6 to 12 months	3,263	1,412
12 to 24 months	1,162	1,104
Over 24 months	2,636	2,939
	<u>3,779,421</u>	<u>4,021,238</u>

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

14 BUSINESS COMBINATION

(a) Summary of acquisition

In January 2022, Yadea Technology Group Co., Ltd., a wholly-owned subsidiary of the Company, completed the acquisition of 70% of the equity interests in Jieshoushi Nandu Huayu Power Co., Ltd.* (界首市南都華宇電源有限公司) and Zhejiang Changxing Nandu Power Co., Ltd.* (浙江長興南都電源有限公司) (collectively, “**Huayu**”) from Zhejiang Narada Power Source Co., Ltd.* (浙江南都電源動力股份有限公司) (“**Narada**”) and other shareholder for a total cash consideration of RMB311,500,000.

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

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

(i) The intangible assets mainly include acquired patents of RMB310,480,000 as a result of this business combination.

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

(b) Purchase consideration – cash outflow

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

15 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of non-controlling interests of Huayu

Subsequent to the business combination in January 2022 as disclosed in Note 14, the Group entered into an equity transfer agreement with Huayu and Narada, the then non-controlling interests shareholder of Huayu, to acquire the remaining 30% equity interests in Huayu at a total cash consideration of RMB133,500,000 in August 2022. The purchase of the remaining equity interests was considered as a separate transaction from the original business combination and was completed in August 2022.

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

As the Group is committed to being at the forefront of innovation of the electric two-wheeled vehicles industry, it continued to invest in research and development to develop new products and new technologies for core parts and components. In 2022, the Group launched Guanneng (冠能) 3.0 series, a new generation of long-range, intelligent electric two-wheeled vehicles and features a breakthrough long-lasting third-generation TTFAR graphene battery that is capable of more than 1,000 cycles with 30% greater capacity than conventional lead-acid batteries and low-temperature protection. The Group has also developed an e-controller, which offers significant improvement in anti-interference capabilities, three-phase circuit balance and overload capacity as compared with conventional controller. With regards to style, it has commissioned renowned design houses such as Yang Design and Giovannoni Design. As of 31 December 2022, the Group owned 1,890 patents including appearance patents, utility model patents and invention patents, as compared to 1,650 in 2021. The Group's ongoing investment in research and development enables it to stay ahead of industry trends and technological developments, ensuring that it achieves more technology breakthroughs in the future.

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

OUTLOOK

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

FINANCIAL REVIEW

Revenue

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

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

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

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

Segment information

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

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

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

Cost of sales

Cost of sales of the Group increased by approximately 11.3% from RMB22,866.0 million in 2021 to RMB25,445.4 million in 2022, which was in line with the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, gross profit for the Group increased by approximately 36.9% from RMB4,101.5 million in 2021 to RMB5,614.0 million in 2022. The gross profit margin increased by approximately 2.9% from approximately 15.2% in 2021 to approximately 18.1% in 2022, primarily attributable to the increase in the average selling prices of electric scooters and electric bicycles as a result of the improvement of product mix.

Other income and gains, net

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

Selling and distribution expenses

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

Administrative expenses

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

Research and development costs

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

Finance costs

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

Income tax expense

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

Profit for the year

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

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow

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

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

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

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

Net current liabilities

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

Inventories

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

Trade receivables

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

Financial assets at FVTPL

The financial assets at FVTPL held by the Group mainly consist of wealth management products and structured deposits with relatively low level of risk purchased from the commercial banks in the PRC. As at 31 December 2022, each of such investments has a value of less than 5% of the total assets of the Group and none of such investments constituted a notifiable transaction of the Company. The aggregated value of the financial assets at FVTPL increased by approximately 8.7% from RMB3,870.3 million as at 31 December 2021 to RMB4,208.5 million as at 31 December 2022, which was primarily attributable to the purchase of the wealth management products and structured deposits upon the end of the term of investments. For the year ended 31 December 2022, the Company recorded a gain in fair value of the financial assets at FVTPL of approximately RMB78.0 million in the consolidated statement of profit or loss and other comprehensive income. The Company's subscription for the wealth management products and structured deposits is for treasury management purpose in order to maximise the utilisation of its surplus cash received from its business operations, with a view to achieving balanced yields whilst maintaining high liquidity and a low level of risk.

Trade and bills payables

Trade and bills payables increased by approximately 6.5% from RMB12,758.2 million as at 31 December 2021 to RMB13,592.9 million as at 31 December 2022, primarily attributable to the increase in bills payables owing to the suppliers as a result of the increase in purchases of raw materials.

Gearing Ratio

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

Currency risk

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

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

Human resources

As at 31 December 2022, the Group had 11,825 employees, as compared with 9,174 employees as at 31 December 2021, mainly due to the acquisition of Huayu and new hirings for production, sales, and research and development departments. Total staff costs, including labour outsourcing cost but excluding the Directors' remunerations, were RMB2,315.3 million in 2022, representing an increase of approximately 36.1% from RMB1,701.1 million in 2021, such increase was primarily due to the increase in number of employees and increase in average salary. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus, cash awards and share awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their relevant skills.

Contingent liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities or guarantees.

Pledge of the Group’s assets

The Group pledged its assets as securities for bills payable which were used to finance daily business operation. As at 31 December 2022, the pledged assets of the Group amounted to RMB5,438.0 million (2021: RMB4,450.8 million).

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 24 May 2022, the Company entered into a placing agreement (the “**Placing Agreement**”) with China International Capital Corporation Hong Kong Securities Limited and Credit Suisse (Hong Kong) Limited as the placing agents (the “**Placing Agents**”), pursuant to which the Placing Agents, on a several (not joint nor joint and several) basis, agreed to procure, on a best effort basis, places to subscribe for an aggregate of 68,800,000 new shares issued by the Company at a price of HK\$12.58 per share under the Company’s general mandate (the “**Placing**”).

The conditions of the Placing Agreement have been fulfilled and the completion of the Placing took place on 31 May 2022. The total amount of net proceeds from the Placing was approximately HK\$857 million. The net proceeds from the Placing were intended to be applied for expansion of the Group’s overseas business through building overseas research and development centres, manufacturing facilities, distribution networks, as well as potential mergers and acquisitions. Please refer to the announcements of the Company dated 24 May 2022 and 31 May 2022 for details of the Placing.

There was no unutilised proceeds as at 31 December 2022. There is no material change between the intended use of proceeds and the actual use of proceeds.

SIGNIFICANT INVESTMENT, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 17 December 2021, Yadea Technology Group Co., Ltd.* (雅迪科技集團有限公司) (“**Yadea Technology**”), a wholly-owned subsidiary of the Company, as the purchaser, Zhejiang Narada Power Source Co., Ltd.* (浙江南都電源動力股份有限公司) (“**Zhejiang Narada Power**”) and Binzhou Bohan Corporate Management Consulting Partnership (Limited Partnership)* (濱州博涵企業管理諮詢合夥企業(有限合夥)), both as vendors, entered into an agreement (the “**2021 Acquisition Agreement**”) in relation to the acquisition of 70% equity interest in Huayu (the “**2021 Acquisition**”) for a total consideration of RMB311.5 million. The 2021 Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. On 4 January 2022, all conditions precedent stipulated in the 2021 Acquisition Agreement were satisfied and the 2021 Acquisition was completed. For details of the 2021 Acquisition and the 2021 Acquisition Agreement, please refer to the announcements of the Company dated 17 December 2021 and 10 March 2022.

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

Save as disclosed above, there were no other significant investment, acquisition and disposal of subsidiaries and associated companies by the Group, nor was there any plan authorised by the Board for other material investments or additions of capital assets, during the year ended 31 December 2022.

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

Save as the Placing disclosed above, during the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER THE REPORTING PERIOD

On 17 January 2023, 33,550,000 share options of the Company were awarded to certain employees pursuant to the terms of the share option scheme of the Company adopted by the shareholders on 22 April 2016. Details of the share option scheme of the Company will be set out in the annual report of the Company for the year ended 31 December 2022.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (“**CG Code**”) as set out in Part 2 of Appendix 14 to the Listing Rules and has also put in place certain recommended best practices as set out in the CG Code. Throughout the year ended 31 December 2022, the Company has fully complied with the code provisions set out in the CG Code. The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

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 2022.

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 2022. The Board has also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on Friday, 16 June 2023. A notice convening the AGM will be published and despatched to the shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

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

Latest time to lodge transfer documents for registration 4:30 p.m. on
Monday, 12 June 2023

Closure of register of members Tuesday, 13 June 2023 to
Friday, 16 June 2023 (both days inclusive)

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

Latest time to lodge transfer documents for registration 4:30 p.m. on
Friday, 23 June 2023

Closure of register of members Monday, 26 June 2023 to
Friday, 30 June 2023 (both days inclusive)

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than the aforementioned latest time.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) comprising four independent non-executive Directors, namely Mr. Li Zongwei (chairman), Mr. Wu Biguang, Mr. Yao Naisheng and Mr. Wong Lung Ming, and one non-executive Director, namely Mr. Zhang Yiyin. The Audit Committee has reviewed the annual results for the year ended 31 December 2022 of the Company. The Audit Committee and the Company's management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting.

SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.yadea.com.cn>). The annual report of the Company for the year ended 31 December 2022 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.

* *for identification purpose only*

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

Hong Kong, 27 March 2023

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.