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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 2023

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 2023 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2022 as follows:

FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue increased by approximately 11.9% to RMB34,762.8 million, as compared with the year ended 31 December 2022.
- Profit attributable to owners of the Company increased by approximately 22.2% to RMB2,640.2 million, as compared with the year ended 31 December 2022.
- Basic earnings per share increased by approximately 19.6% to RMB88.5 cents, as compared with the year ended 31 December 2022.
- The Company proposed a 2023 final dividend of 48.0 HK cents per ordinary share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	4	34,762,757	31,059,443
Cost of sales	6	(28,877,517)	(25,445,432)
Gross profit		5,885,240	5,614,011
Selling and distribution expenses	6	(1,435,503)	(1,358,176)
Administrative expenses	6	(1,105,419)	(896,135)
Research and development costs	6	(1,192,008)	(1,105,845)
Other income and gains – net	5	979,772	453,736
Operating profit		3,132,082	2,707,591
Finance costs	7	(44,241)	(59,399)
Share of losses of investments accounted for using the equity method		(67,889)	(32,925)
Profit before income tax		3,019,952	2,615,267
Income tax expense	8	(379,794)	(432,267)
Profit for the year		2,640,158	2,183,000
Profit for the year attributable to:			
Owners of the Company		2,640,158	2,161,094
Non-controlling interests		–	21,906
		2,640,158	2,183,000
Earnings per share			
– Basic (RMB cents per share)	10	88.5	74.0
– Diluted (RMB cents per share)	10	88.0	72.9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		As at 31 December	
		2023	2022
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,940,277	3,291,228
Right-of-use assets		1,087,831	936,464
Intangible assets		957,327	997,042
Investments accounted for using the equity method		71,333	99,622
Equity investments at fair value through other comprehensive income		353	2,419
Prepayments, deposits and other receivables		1,364,855	1,072,295
Prepayment for acquisition of property, plant and equipment and right-of-use assets		101,917	54,020
Deferred income tax assets		194,351	62,141
Other long-term asset		–	42,440
Pledged bank deposits		700,000	800,000
Term deposits		400,000	200,000
		<hr/>	<hr/>
Total non-current assets		8,818,244	7,557,671
Current assets			
Inventories	11	955,438	1,458,049
Trade receivables	12	545,941	388,315
Prepayments, deposits and other receivables		545,916	667,666
Financial assets at fair value through profit or loss		2,789,800	4,208,546
Debt instruments at fair value through other comprehensive income		5,119	20,093
Pledged bank deposits		3,285,833	3,869,724
Term deposits		800,000	–
Cash and cash equivalents		7,913,807	6,782,622
		<hr/>	<hr/>
Total current assets		16,841,854	17,395,015
		<hr/>	<hr/>
Total assets		25,660,098	24,952,686

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

NOTES TO FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company 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 new and amended standards for its annual reporting period commencing 1 January 2023. The adoption of these new standards and amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

New standards and interpretations not yet adopted

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

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

3 MATERIAL ACCOUNTING POLICES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 Hong Kong Stock Exchange (“**Listing Rules**”) and 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	
	2023	2022
	RMB'000	RMB'000
Types of goods		
Electric bicycles	15,952,107	12,827,456
Batteries and chargers	9,249,600	8,397,775
Electric scooters	8,635,319	9,145,187
Electric two-wheeled vehicle parts	925,731	689,025
	34,762,757	31,059,443
Timing of revenue recognition		
At point in time	34,762,757	31,059,443

Information about major customers

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

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 that make strategic decisions. The CODM considers the business primarily from product perspective.

The Group’s operation has following reportable segments for the year ended 31 December 2023:

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

The “Electric two-wheeled vehicles and related accessories” segment is mainly engaged in the development, manufacture and sales of electric two-wheeled vehicles and related accessories. “Batteries” segment is mainly engaged in the production and sales of batteries of Huayu New Energy Technology Co., Ltd. (former name: Jieshoushi Nandu Huayu Power Co., Ltd.) and Jieshou Huayu New Energy Sales Co., Ltd. (former name: Zhejiang Changxing Nandu Power Co., Ltd.) (collectively, “**Huayu**”).

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

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

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

	Year ended 31 December 2023				Year ended 31 December 2022			
	Electric two-wheeled vehicles and related accessories RMB’000	Batteries RMB’000	Elimination RMB’000	Total RMB’000	Electric two-wheeled vehicles and related accessories RMB’000	Batteries RMB’000	Elimination RMB’000	Total RMB’000
Total segment revenue	34,543,555	4,631,290	(4,412,088)	34,762,757	30,409,109	3,870,034	(3,219,700)	31,059,443
Total segment cost	(29,278,975)	(3,998,418)	4,399,876	(28,877,517)	(25,094,195)	(3,543,598)	3,192,361	(25,445,432)
Gross profit	<u>5,264,580</u>	<u>632,872</u>		<u>5,885,240</u>	<u>5,314,914</u>	<u>326,436</u>		<u>5,614,011</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	
	2023	2022
	RMB'000	RMB'000
Other income		
Government grants	328,372	166,631
Bank interest income	305,676	179,556
Super-deduction of value-added-tax (“VAT”) (ii)	166,220	–
Others	25,940	25,382
	<u>826,208</u>	<u>371,569</u>
Other gains		
Net fair value gains on financial assets at fair value through profit or loss (“FVTPL”)	103,737	77,994
Net foreign exchange gain	27,534	20,707
Net gain on disposal of the investment accounted for using equity method (i)	25,001	–
Net loss on disposal of property, plant and equipment and intangible assets	(13,719)	(15,696)
Donations	(930)	(1,930)
Others	11,941	1,092
	<u>153,564</u>	<u>82,167</u>
	<u>979,772</u>	<u>453,736</u>

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

6 EXPENSE BY NATURE

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

7 FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest charge for borrowings	12,930	33,498
Interest charges for lease liabilities	7,205	6,276
Other interest expenses	24,106	19,625
	<hr/>	<hr/>
	44,241	59,399

8 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, and shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current PRC Enterprise Income Tax	491,413	380,217
Deferred income tax	(111,619)	52,050
Total tax charge for the year	<u>379,794</u>	<u>432,267</u>

9 DIVIDENDS

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

Subsequent to the end of the Reporting Period, a final dividend to external shareholders in respect of the year ended 31 December 2023 of 48.0 HK cents (2022: 40.0 HK cents) per ordinary share, in an aggregate amount of HKD1,436,698,000 equivalent to RMB1,304,076,000 (2022: HKD1,181,840,000 equivalent to RMB1,094,609,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting of the Company (the "AGM").

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company (RMB'000)	<u>2,640,158</u>	<u>2,161,094</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>2,984,697</u>	<u>2,921,284</u>
Basic EPS (in RMB cents/share)	<u>88.5</u>	<u>74.0</u>

(b) Diluted earnings per share

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

For the years ended 31 December 2022 and 2023, the Company has the dilutive potential ordinary shares of restricted share units (“RSUs”) granted to employees. For the RSUs, the calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company’s shares) based on the monetary value of the subscription rights attached to the outstanding RSUs. The RSUs are assumed to have been fully vested and released from restrictions with no impact on earnings.

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

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

11 INVENTORIES

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

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

12 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables	554,702	396,531
Less: allowance for credit losses	(8,761)	(8,216)
	<u>545,941</u>	<u>388,315</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	
	2023	2022
	RMB'000	RMB'000
Within 6 months	523,011	378,822
Over 6 months	22,930	9,493
	<u>545,941</u>	<u>388,315</u>

13 TRADE AND BILLS PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables	4,373,328	3,779,421
Bills payable	9,298,870	9,813,457
	<u>13,672,198</u>	<u>13,592,878</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	
	2023	2022
	RMB'000	RMB'000
Within 3 months	4,318,306	3,726,902
3 to 12 months	39,823	48,721
Over 12 months	15,199	3,798
	<u>4,373,328</u>	<u>3,779,421</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, complete the acquisition of 70% of the equity interests in 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.

	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>

16 EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

OUTLOOK

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

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

FINANCIAL REVIEW

Revenue

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

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

	For the year ended 31 December 2023			For the year ended 31 December 2022		
	Revenue RMB'000	% of total	Volume '000 units	Revenue RMB'000	% of total	Volume '000 units
Product Type						
Electric bicycles	15,952,107	45.9	11,561.1	12,827,456	41.3	8,976.0
Electric scooters	8,635,319	24.8	4,960.4	9,145,187	29.5	5,034.2
Subtotal	24,587,426	70.7	16,521.5	21,972,643	70.8	14,010.2
Batteries and chargers	9,249,600	26.6	Batteries: 17,268.64 Chargers: 15,284.7	8,397,775	27.0	Batteries: 14,989.9 Chargers: 11,181.4
Electric two-wheeled vehicle parts	925,731	2.7	–	689,025	2.2	–
Total	34,762,757	100.0	49,074.84	31,059,443	100.0	40,181.5

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

Segment information

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

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

	Year ended 31 December 2023				Year ended 31 December 2022			
	Electric two-wheeled vehicles and related accessories RMB'000	Batteries RMB'000	Elimination RMB'000	Total RMB'000	Electric two-wheeled vehicles and related accessories RMB'000	Batteries RMB'000	Elimination RMB'000	Total RMB'000
Total segment revenue	34,543,555	4,631,290	(4,412,088)	34,762,757	30,409,109	3,870,034	(3,219,700)	31,059,443
Total segment cost	(29,278,975)	(3,998,418)	4,399,876	(28,877,517)	(25,094,195)	(3,543,598)	3,192,361	(25,445,432)
Gross profit	<u>5,264,580</u>	<u>632,872</u>		<u>5,885,240</u>	<u>5,314,914</u>	<u>326,436</u>		<u>5,614,011</u>

Cost of sales

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

Gross profit and gross profit margin

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

Other income and gains, net

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

Selling and distribution expenses

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

Administrative expenses

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

Research and development costs

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

Finance costs

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

Income tax expense

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

Profit for the year

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

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow

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

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

The Group's primary source of funding comes from cash flows generated from its operating activities. As at 31 December 2023, the Group recorded borrowings of approximately RMB267.3 million with fixed interests at a range of 0.9% to 2.02%, that are secured by the Group's pledged bills and to be settled within one year.

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

Net current assets

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

Inventories

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

Trade receivables

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

Financial assets at FVTPL

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

Trade and bills payables

Trade and bills payables increased by approximately 0.6% from RMB13,592.9 million as at 31 December 2022 to RMB13,672.2 million as at 31 December 2023, primarily attributable to the increase in bills payables owing to the suppliers as a result of the increase in purchases of raw materials.

Gearing Ratio

Gearing ratio is calculated by other non-current liability and borrowings divided by total equity. As at 31 December 2023, the gearing ratio of the Group is 9.9% (31 December 2022: 26.8%).

Currency risk

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

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

Human resources

As at 31 December 2023, the Group had 12,338 employees, as compared with 11,825 employees as at 31 December 2022, mainly due to the expansion of overseas business and new hirings for production and research and development departments. Total staff costs, including labour outsourcing cost but excluding the Directors' remunerations, were RMB2,707.6 million in 2023, representing an increase of approximately 16.9% from RMB2,315.3 million in 2022, such increase was primarily due to the increase in number of employees and increase in average salary. The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus, cash awards and share awards based on individual performance. The Group provides trainings for its employees so that new employees can master the basic skills required to perform their functions and existing employees can upgrade or improve their relevant skills.

Contingent liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities or guarantees.

Pledge of the Group's assets

The Group pledged its assets as securities for bills payable which were used to finance daily business operation. As at 31 December 2023, the pledged assets of the Group amounted to RMB4,118.6 million (2022: RMB5,438.0 million).

PLACING OF NEW SHARES UNDER GENERAL MANDATE

During the year ended 31 December 2023, the Group did not place any new shares under general mandate.

SIGNIFICANT INVESTMENT, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2023, there were no significant investment, acquisition and disposal of subsidiaries and associated companies by the Group, nor was there any plan authorised by the Board for other material investments or additions of capital assets.

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

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

Save as disclosed above, during the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

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

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

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

Save as disclosed above, the Group has no other material subsequent events since the end of the Reporting Period up to the date of this annual 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 C1 to the Listing Rules and has also put in place certain recommended best practices as set out in the CG Code. Throughout the year ended 31 December 2023, the Company has fully complied with the code provisions set out in the CG Code. The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

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 2023.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiries have been made to all the Directors who have confirmed that they have complied with the Model Code throughout the year ended 31 December 2023. The Board has also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

FINAL DIVIDEND

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

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

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on Monday, 17 June 2024. 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
Tuesday, 11 June 2024

Closure of register of members Wednesday, 12 June 2024 to
Monday, 17 June 2024
(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
Monday, 24 June 2024

Closure of register of members Tuesday, 25 June 2024 to
Friday, 28 June 2024
(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. Chen Mingyu (chairman), Mr. Wong Lung Ming, Ms. Ma Chenguang and Ms. Liang Qin, and one non-executive Director, namely Mr. Zhang Yiyin. The Audit Committee has reviewed the annual results for the year ended 31 December 2023 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 2023 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 2023 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, 19 March 2024

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. Wong Lung Ming, Mr. Chen Mingyu, Ms. Ma Chenguang and Ms. Liang Qin are the independent non-executive Directors.