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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Yadea Group Holdings Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2020 as follows:

FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue increased by approximately 63.9% to approximately RMB12,375.4 million as compared with the corresponding period in 2020.
- Gross profit increased by approximately 39.1% to approximately RMB1,845.4 million as compared with the corresponding period in 2020.
- Profit attributable to the shareholders of the Company increased by approximately 49.2% to approximately RMB589.2 million as compared with the corresponding period in 2020.
- Basic earnings per share increased by approximately 50.4% to approximately RMB20.6 cents per share as compared with the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	2,700,701	1,259,051
Income tax paid	(115,017)	(88,614)
	<u>2,585,684</u>	<u>1,170,437</u>
Cash flows from investing activities		
Proceeds from disposal of term deposits with initial term over 3 months	100,000	–
Repayment of loans by third parties and a related party	21,152	–
Interest received from bank deposits	32,298	11,709
Purchases of property, plant and equipment and other long-term assets	(635,165)	(352,172)
Purchases of land use rights	(211,465)	(39,159)
Purchase of investments accounted for using the equity method	(66,000)	–
Purchase of equity instruments at fair value through profit or loss	(38,632)	–
Proceeds from disposal of property, plant and equipment and intangible assets	2,342	17,052
Purchases of intangible assets	(4,351)	(8,732)
Purchase of wealth management products and structured deposits	(33,532,269)	(28,306,005)
Redemption of wealth management products and structured deposits	33,427,507	27,892,162
Interest received from wealth management products and structured deposits	97,237	71,832
	<u>(807,346)</u>	<u>(713,313)</u>
Net cash used in investing activities		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)*For the six months ended 30 June 2021*

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Borrowing	156,153	40,983
Proceeds from exercise of restricted share units	10,929	–
Repayments of lease liabilities	(13,792)	(10,186)
Repurchase of shares	–	(122,219)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	153,290	(91,422)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,931,628	365,702
Effect of foreign exchange rate changes on cash and cash equivalent	(2,311)	3,616
Cash and cash equivalents at beginning of the period	3,420,934	2,636,553
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	5,350,251	3,005,871
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

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

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

3 ACCOUNTING POLICIES

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

3.1 New and amended standards adopted by the Group

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

5 REVENUE AND SEGMENT INFORMATION

5.1 Disaggregation of revenue from contract with customers

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Restated)
Types of goods		
Electric scooters	5,420,725	3,604,001
Electric bicycle	3,889,264	2,152,699
Batteries and chargers	2,894,462	1,703,250
Electric two-wheeled vehicle parts	170,958	89,919
	<u>12,375,409</u>	<u>7,549,869</u>
Timing of revenue recognition		
At point in time	<u>12,375,409</u>	<u>7,549,869</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 the Hong Kong Financial Reporting Standard ("HKFRS") 8 *Operating Segments*.

5.2 Segment information

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

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

Geographical information

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

6 OTHER INCOME AND GAINS, NET

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

7 EXPENSE BY NATURE

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

8 INCOME TAX EXPENSE

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

9 DIVIDENDS

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

10 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

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

11 PROPERTY, PLANT AND EQUIPMENT

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

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

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

12 INVENTORIES

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

13 TRADE RECEIVABLES

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

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

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

14 TRADE AND BILLS PAYABLES

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

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

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

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

15 SHARE CAPITAL

(a) Share capital

	Number of shares	Share capital <i>USD'000</i>
Authorised:		
5,000,000,000 ordinary shares of USD0.00001 each	<u>5,000,000,000</u>	<u>50</u>
Issued and fully paid		
At 31 December 2020 and 30 June 2021	<u>2,995,000,000</u>	<u>30</u>
Equivalent to RMB'000		<u>187</u>

(b) **Treasury shares**

For the six months ended 30 June:

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

(c) **Share based payment**

The Company historically adopted the share award schemes to recognise the contributions by certain participants and to give incentive to them in order to retain them for the continual operation and development of the Group, to attract suitable personnel for further development of the Group and to provide certain participants with a direct economic interest in attaining a long-term relationship between the Group and certain participants. A trust was established under a trust deed entered into by the Company to administer the schemes, and for the purchase or subscription of the shares of the Company, based on financial support given by the Group. Any shares subsequently awarded by the Company to the qualifying employees will be settled with the shares held by the trust on behalf of the Company. The Directors have determined that the Company controls the trust through the trust deed and therefore consolidates the trust.

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

RSUs

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

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

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

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

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

16 RESTATEMENTS

In preparation for the condensed consolidated financial information of the Group for the six months ended 30 June 2021, the Group has identified certain errors in the comparative financial information presented. The effects of the restatements on the Group's condensed consolidated financial information for the six months ended 30 June 2020 are summarized as below.

(a) Condensed consolidated statement of profit or loss (extract)

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

Financial Review

Revenue

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

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

Other income and gains, net

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

Profit for the Reporting Period

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

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

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

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

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

Taking into account the Group's existing cash and cash equivalents, anticipated cash flow from its operating activities and the net proceeds from the initial public offering, the Board believes that the Group's liquidity needs will be satisfied.

Net current assets

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

Inventory

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

Gearing ratio

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

Human resources

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

Contingent liabilities

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

Pledge of the Group's assets

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

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

During the six months ended 30 June 2021, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group.

EVENTS AFTER REPORTING PERIOD

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

USE OF NET PROCEEDS FROM LISTING

On 19 May 2016, the listing date of the Company, the Company issued 750 million shares at an offer price of HK\$1.72 per share on the Hong Kong Stock Exchange by global offering. The net proceeds from the global offering (after deducting the underwriting fees and commissions and other expenses payable by the Company in connection with the global offering) amounted to approximately HK\$1,074.0 million (equivalent to approximately RMB907.3 million).

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

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

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Listing Rules. The Company has fully complied with the code provisions set out in the CG Code throughout the Reporting Period. The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code during the six months ended 30 June 2021.

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

INTERIM DIVIDEND

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2021 (the six months ended 30 June 2020: nil).

AUDIT COMMITTEE REVIEW

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

The Audit Committee and the Company’s management have considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting, including the review of the unaudited condensed consolidated interim financial information of the Group for the Reporting Period. Details of the Group’s prior period adjustments are set out in note 16 of the notes to the condensed consolidated financial information in this announcement.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.yadea.com.cn). The interim report of the Company for the Reporting Period will be dispatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 27 August 2021

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