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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
DISCLOSEABLE TRANSACTION FOR
ACQUISITION OF 70% EQUITY INTEREST IN
JIESHOUSHI NANDU HUAYU POWER CO., LTD.* AND
ZHEJIANG CHANGXING NANDU POWER CO., LTD.***

Reference is made to the announcement of Yadea Group Holdings Ltd. (the “**Company**”) dated 17 December 2021 in relation to the acquisition of 70% equity interest in each of Jieshoushi Nandu Huayu Power Co., Ltd.* and Zhejiang Changxing Nandu Power Co., Ltd.* (the “**Announcement**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

In addition to the information provided in the Announcement, the Board wishes to provide further supplemental information as follows:

BACKGROUND OF THE ACQUISITION

Since 2017, the Group has cooperated with the Target Companies with respect to the production of graphene batteries and its usage in electric two-wheeled vehicles. During the past five years, the research and development (“**R&D**”) team and management of each of the Group and the Target Companies have worked closely with, and complemented the strengths of, each other.

Based on the announcement made by the First Vendor dated 25 October 2021, the Company came into knowledge of the First Vendor's intention to acquire the remaining 49% equity interests in the Target Companies at the consideration of RMB180 million (the "**Consideration for Non-controlling Equity Interest**"), which indicates a total shareholders' equity value of approximately RMB367 million. The Consideration for Non-controlling Equity Interest was determined based on, among others, a valuation report in respect of the Target Companies, according to the aforesaid announcement.

As the proposed acquisition was subsequently terminated on 29 October 2021 according to a further announcement made by the First Vendor, and having considered (i) the significant percentage of purchases attributable to the Target Companies; (ii) the stable quality of the graphene batteries supplied by the Target Companies as the technology gradually matures; (iii) the Target Companies have their own R&D center and experienced personnel for the R&D of graphene batteries; and (iv) the Premium Series (冠能系列) electric vehicle of the Group which uses graphene batteries has become a key product category of the Group and securing a stable supply of graphene batteries is of strategic importance to the Group's future development, along with other reasons and benefits as set out in the Announcement, the Board considered that it was a seizable opportunity to acquire the controlling interest in the Target Companies and began considering the feasibility of the Acquisition in November 2021.

BASIS OF CONSIDERATION

The determination of the consideration of the Acquisition of RMB311.5 million (the "**Consideration**") was based on various strategic and qualitative factors as a whole. The Company has taken into account, among other things, the Consideration for Non-controlling Equity Interest, the due diligence results in relation to the Target Companies, and the strategic benefits and the controlling status the Company would obtain upon the completion of the Acquisition. Based on the arm's length negotiation with the Vendors, the Company considers a premium of approximately 20% over the Consideration for Non-controlling Equity Interest is fair and reasonable. Such 20% premium was determined with reference to the Control Premium Studies published by FactSet Mergerstat, LLC.

In order to verify the reasonableness of the Consideration, the Company also identified six comparable companies (the "**Comparable Companies**"), which are all listed companies and principally engaged in the same business areas as the Target Companies and operate in the PRC, and made reference to the enterprise value-to-sale ratio (the "**EV/Sales ratio**").

The Comparable Companies listed below were selected for the determination of the EV/Sales ratio.

No.	Name of the Comparable Company	Principal business activities	Place of listing
1	天能電池集團股份有限公司 (Tianneng Battery Group Co., Ltd.*)	R&D, production and sales of power batteries for electric vehicles. Its main products are lead-acid batteries and lithium-ion batteries.	Shanghai Stock Exchange, stock code: 688819
2	駱駝集團股份有限公司 (Camel Group Co., Ltd.*)	R&D, production, sales and recycling of batteries. Its main products are lead-acid batteries for electric vehicles.	Shanghai Stock Exchange, stock code: 601311
3	深圳市雄韜電源科技 股份有限公司 (Shenzhen Center Power Tech. Co., Ltd.*)	R&D, production and sales of new energy storage, power batteries and fuel batteries. Its main products are valve regulated lead-acid batteries, lithium-ion batteries and fuel batteries.	Shenzhen Stock Exchange, stock code: 002733
4	山東聖陽電源股份有限公司 (Shandong Sacred Sun Power Sources Company Limited*)	Provision of power supply and other solutions, including energy storage power supply, standby power supply, etc. Its main products are batteries for new energy and emergency energy storage, standby batteries, power batteries, etc.	Shenzhen Stock Exchange, stock code: 002580
5	Leoch International Technology Limited 理士國際技術有限公司	R&D, production and sales of valve regulated lead-acid batteries	the Stock Exchange, stock code: 842
6	Chaowei Power Holdings Limited 超威動力控股有限公司	Manufacturing and sales of lead-acid power batteries, energy storage batteries and lithium-ion batteries	the Stock Exchange, stock code: 951

Based on the applicable EV/Sales ratio and the combined revenue of the Target Companies from 1 December 2020 to 30 November 2021, together with other adjustment factors, the total shareholders' equity value of the Target Companies is between approximately RMB443.66 million to RMB784.76 million (i.e. the value of 70% of the equity interests of the Target Companies falls between RMB310.562 million to RMB549.332 million) (the “**Consideration Range**”). The Consideration of RMB311.5 million, which indicates a total shareholders' equity value of the Target Companies of RMB445 million, is similar to the low end of the Consideration Range.

Taking into account of the reasons and benefits as mentioned above, the Board considers that the Consideration in the amount of RMB311.5 million is fair and reasonable and the Acquisition is in the interests of the Company and its shareholders as a whole.

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

Hong Kong, March 10, 2022

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.

* *For identification purpose only*