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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)

(1) ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021; AND (2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020 as follows:

(1) FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue increased by approximately 39.3% to RMB26,967.5 million, as compared with the year ended 31 December 2020.
- Gross profit increased by approximately 33.5% to RMB4,101.5 million, as compared with the year ended 31 December 2020.
- Profit attributable to owners of the Company increased by approximately 43.0% to RMB1,369.5 million, as compared with the year ended 31 December 2020.
- Basic earnings per share increased by approximately 43.1% to RMB47.8 cents, as compared with the year ended 31 December 2020.
- The Company proposed a 2021 final dividend of 28.0 HK cents per ordinary share.

(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to reflect and align with the new requirements under the amendments on the Listing Rules with effect from 1 January 2022, the Board proposed to put forward to the Shareholders for approval at the AGM a special resolution to amend the Articles of Association and to adopt the amended and restated Articles of Association in substitution for, and to the exclusion of, the Articles of Association.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4	26,967,532	19,360,315
Cost of sales	6	(22,866,048)	(16,287,085)
Gross profit		4,101,484	3,073,230
Other income and gains, net	5	380,320	258,085
Selling and distribution expenses	6	(1,282,933)	(934,911)
Administrative expenses	6	(817,889)	(597,480)
Research and development costs	6	(843,685)	(605,224)
Operating profit		1,537,297	1,193,700
Finance costs	7	(15,284)	(4,550)
Share of losses of investments accounted for using the equity method		(15,028)	(2,373)
Profit before income tax		1,506,985	1,186,777
Income tax expense	8	(140,342)	(227,488)
Profit for the year		1,366,643	959,289
Profit for the year attributable to:			
Owners of the Company		1,369,495	957,389
Non-controlling interests		(2,852)	1,900
		1,366,643	959,289
Earnings per share			
Basic (RMB cents per share)	10	47.8	33.4
Diluted (RMB cents per share)	10	47.0	32.8

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>1,366,643</u>	<u>959,289</u>
Other comprehensive loss		
Items that will not be reclassified to profit or loss:		
Fair value gain on an investment in equity instruments at fair value through other comprehensive income	–	(89)
Exchange difference on translation from functional currency to presentation currency	<u>(6,503)</u>	<u>(31,136)</u>
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(4,376)</u>	<u>(5,929)</u>
Other comprehensive loss for the year, net of income tax	<u>(10,879)</u>	<u>(37,154)</u>
Total comprehensive income for the year	<u>1,355,764</u>	<u>(922,135)</u>
Total comprehensive income attributable to:		
Owners of the Company	1,358,616	920,235
Non-controlling interests	<u>(2,852)</u>	<u>1,900</u>
	<u>1,355,764</u>	<u>922,135</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December	
		2021	2020
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,211,613	1,499,772
Right-of-use assets		927,738	492,713
Intangible assets		47,620	57,113
Investments accounted for using the equity method		63,048	3,076
Equity investments at fair value through other comprehensive income		19,993	20,519
Prepayments, deposits and other receivables		893,384	302,512
Prepayment for acquisition of property, plant and equipment and right-of-use assets		42,582	48,712
Deferred tax assets		88,444	46,047
Other long-term asset		98,904	172,127
		<hr/>	<hr/>
Total non-current assets		4,393,326	2,642,591
Current assets			
Inventories	11	1,194,213	680,246
Trade receivables	12	392,607	377,146
Prepayments, deposits and other receivables		403,430	329,812
Financial assets at fair value through profit or loss		3,870,339	4,007,963
Debt instruments at fair value through other comprehensive income		87,756	349,180
Pledged bank deposits		2,993,010	4,108,483
Term deposits with initial term over 3 months		–	100,000
Cash and cash equivalents		6,073,112	3,420,934
		<hr/>	<hr/>
Total current assets		15,014,467	13,373,764
		<hr/>	<hr/>
Total asset		19,407,793	16,016,355

		As at 31 December	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
Current liabilities			
Trade and bills payables	<i>13</i>	12,758,156	10,786,030
Other payables and accruals		1,350,294	920,268
Contract liabilities		134,222	364,139
Lease liabilities		40,429	22,819
Income tax liabilities		44,776	142,715
		<hr/>	<hr/>
Total current liabilities		14,327,877	12,235,971
Non-current liabilities			
Deferred tax liabilities		39,122	26,181
Lease liabilities		87,132	53,689
Deferred income		42,853	–
Other non-current liability		398,410	97,671
		<hr/>	<hr/>
Total non-current liabilities		567,517	177,541
		<hr/>	<hr/>
Total liabilities		14,895,394	12,413,512
		<hr/>	<hr/>
Net assets		4,512,399	3,602,843
		<hr/>	<hr/>
EQUITY			
Share capital		187	187
Share premium and reserves		4,499,989	3,589,312
Equity attributable to owners of the Company		4,500,176	3,589,499
Non-controlling interests		12,223	13,344
		<hr/>	<hr/>
Total equity		4,512,399	3,602,843
		<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

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

The Company is an investment holding company. The Group is principally engaged in the development, manufacture and sale of electric 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 (the "**Shareholders**") are Mr. Dong Jinggui and Ms. Qian Jinghong.

The functional currency of the Company is Hong Kong dollar ("**HKD**") which is the currency of the primary environment in which the Company operates. The functional currency of the Group entities located in the PRC is Renminbi ("**RMB**") in which most of the transactions are denominated. The consolidated financial statements are presented in RMB.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

4. REVENUE

4.1 Disaggregation of revenue from contract with customers

	<u>2021</u> <i>RMB'000</i>	<u>2020</u> <i>RMB'000</i>
<u>Types of goods</u>		
Electric scooters	10,208,564	8,659,503
Electric bicycles	9,767,681	5,840,153
Batteries and chargers	6,583,763	4,532,919
Electric two-wheeled vehicle parts	407,524	327,740
	<u>26,967,532</u>	<u>19,360,315</u>
<u>Timing of revenue recognition</u>		
At point in time	<u>26,967,532</u>	<u>19,360,315</u>

Information about major customers

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

4.2 Operating Segment

For management purposes, the Group is not organised into business units based on their products and services, the Group has only one reportable operating segment which is engaged in the development, manufacture and sale of electric 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*.

5. OTHER INCOME AND GAINS, NET

	<u>2021</u> <i>RMB'000</i>	<u>2020</u> <i>RMB'000</i>
Other income		
Government grants	75,300	84,717
Bank interest income	81,150	20,211
Others	15,603	16,632
	<u>172,053</u>	<u>121,560</u>
Other gains		
Net fair value gains on financial assets at fair value through profit or loss (“FVTPL”)	232,651	186,285
Gain from disposal of one subsidiary	1,055	–
Net foreign exchange loss	(7,627)	(4,098)
Net loss on disposal of property, plant and equipment and intangible assets	(21,523)	(11,077)
Donations	(246)	(27,241)
Others	3,957	(7,344)
	<u>208,267</u>	<u>136,525</u>
	<u>380,320</u>	<u>258,085</u>

6. EXPENSE BY NATURE

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

	<u>2021</u> <i>RMB'000</i>	<u>2020</u> <i>RMB'000</i>
Raw materials and consumables used	22,226,264	15,907,131
Employee benefits expenses	1,518,681	982,781
Advertising expense	364,720	281,937
Freight expense	299,155	288,468
Outsourcing labor fee	188,253	158,354
Travelling and transportation expense	167,104	104,233
Depreciation of property, plant and equipment	163,269	108,162
Outsourcing processing fee	161,611	108,808
Consulting and professional service expenses	141,576	100,142
Amortisation of other long-term assets	73,223	66,028
Product design fee	67,971	45,223
Depreciation of right-of-use assets	47,317	26,400
Amortisation of intangible assets	28,005	19,627
Short-term and low-value lease	7,153	5,461
Auditor’s remuneration	6,452	4,250
– Audit services	5,400	3,050
– Non-audit services	1,052	1,200
Other expenses	349,801	217,695
	<u>25,810,555</u>	<u>18,424,700</u>

7. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest charges for lease liabilities	6,174	3,328
Other interest expenses	9,110	1,222
	15,284	4,550

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current PRC Enterprise Income Tax	169,798	234,435
Deferred tax	(29,456)	(6,947)
	140,342	227,488

9. DIVIDENDS

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividends for the year ended 31 December 2020 of 19.0 HK cents (2019 final dividend 10.0 HK cents) per fully paid share	453,513	266,092

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of 28.0 HK cents (2020: 19.0 HK cents) per ordinary share, in an aggregate amount of HKD802,322,000, equivalent to RMB653,688,000 (2020: HKD569,050,000, equivalent to RMB478,912,000), has been proposed by the Directors and is subject to approval by the Shareholders in the forthcoming annual general meeting of the Company (the “AGM”).

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit attributable to owners of the Company (RMB'000)	1,369,495	957,389
Weighted average number of ordinary shares in issue (thousand shares)	2,862,212	2,863,176
Basic earnings per share (in RMB cents/share)	47.8	33.4

(b) Diluted earnings per share

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

For the years ended 31 December 2020 and 2021, the Company has the dilutive potential ordinary shares of restricted share units (“RSUs”) granted to employees. For the RSUs, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company’s shares) based on the monetary value of the subscription rights attached to the outstanding RSUs. The RSUs are assumed to have been fully vested and released from restrictions with no impact on earnings.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit attributable to owners of the Company arising from (RMB'000):	1,369,495	957,389
Weighted average number of ordinary shares in issue (thousand shares)	2,862,212	2,863,176
Adjustments for share based compensation – RSUs (thousand shares)	53,389	55,951
Weighted average number of ordinary shares for the calculation of diluted earnings per share (thousand shares)	2,915,601	2,919,127
Diluted earnings per share (in RMB cents/share)	47.0	32.8

11. INVENTORIES

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	756,503	358,463
Finished goods	437,710	321,783
	1,194,213	680,246

12. TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	400,635	381,559
Less: allowance for credit losses	(8,028)	(4,413)
	392,607	377,146

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	385,167	369,840
Over 6 months	7,440	7,306
	392,607	377,146

13. TRADE AND BILLS PAYABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	4,021,238	3,134,351
Bills payable	8,736,918	7,651,679
	12,758,156	10,786,030

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	3,996,106	3,111,822
3 to 6 months	19,677	15,337
6 to 12 months	1,412	1,101
12 to 24 months	1,104	860
Over 24 months	2,939	5,231
	4,021,238	3,134,351

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Owing to the Company's continuous effort, Yadea has set a new record for its sales, revenue and profit in the year of 2021 and has further solidified its leading position in the electric two-wheeled vehicles market in the PRC. During the year of 2021, the Group sold an aggregate of approximately 13.9 million units of electric two-wheeled vehicles (2020: approximately 10.8 million units), comprised of approximately 6.1 million units of electric scooters (2020: approximately 5.6 million units) and approximately 7.7 million units of electric bicycles (2020: approximately 5.2 million units), up by approximately 28.3% from the previous year. The Group's revenue increased by approximately 39.3% from RMB19,360.3 million in 2020 to RMB26,967.5 million in 2021 and the Group's gross profit increased by approximately 33.5% from RMB3,073.2 million in 2020 to RMB4,101.5 million in 2021, which was mainly attributable to the increase in the sales volume of electric two-wheeled vehicles and the optimisation and improvement of product structure.

During the year of 2021, the Company has paid ongoing effort in promotion of the brand, including but not limited to, establishment of strategic cooperation with China Central Television, showcasing the electric two-wheeled vehicles of the Company in Spring Festival Gala and EICMA Motor Expo, respectively. At the same time, the Group continued to proactively expand its market share in the PRC through further broadening its distribution network. As at 31 December 2021, the Group has 3,353 distributors (2020: 2,955) as well as their sub-distributors with over 28,000 points of sales (2020: over 17,000 points of sales) in the PRC, covering almost every administrative region of the PRC. In respect of international distribution, Yadea has established distribution channels in Germany, France, Switzerland, Italy, United Arab Emirates, India, Argentina, Bolivia, Vietnam, Thailand, etc.

In the area of research and development, the Group continued 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. In March 2021, the Group launched the second series of Guanneng (冠能二代) edition electric two-wheeled vehicle, equipped with the new edition of self-developed TTFAR2.0 eight levels extended range system, achieving a constant breakthrough in continuous driving mileage, a significant increase in battery life and better performance in extreme weather conditions. The Group has sold approximately 3.9 million units of Guanneng (冠能) edition electric two-wheeled vehicle in 2021 (2020: approximately 0.7 million units of Guanneng (冠能) edition). Moreover, in July 2021, the Group launched the premium VFLY edition electric two-wheeled vehicle to create ultimate experience of electric two-wheeled vehicle products from appearance design and driving performance to intelligent application. As at 31 December 2021, the Group had 56 models of electric scooters (2020: 91 models of electric scooters) and 69 models of electric bicycles (2020: 82 models of electric bicycles) with various designs, colours and functionalities for the choices of customers.

OUTLOOK

Since the start of the COVID-19 pandemic, the Company has observed a shift of demand from public transport to personalised transportation, in order to avoid close contact with the public during the use of mass transport. Moreover, with the emergence of demand of personalised green micromobility, continuous upgrade of electric two-wheeled vehicles and diversification of product application, the customer base of electric-two wheeled vehicles will continue to expand. Further coupled with the sustainable replacement demand brought by the growing penetration of two-wheeled vehicles, the two-wheeled vehicles industry enjoys optimistic outlook.

Looking ahead, the Group will actively seize development opportunities, focusing on enhancing its brand influence, expanding its production capacity and distribution network domestically and internally, exploring overseas market as well as improving its research and development capability in order to provide customers with higher value-added electric two-wheeled vehicles which are safer, smarter, more convenient and more environmental-friendly. With its leading advantages in the industry and solid foundation, the Group is confident about its overall business prospect.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB26,967.5 million, representing an increase of approximately 39.3% from RMB19,360.3 million in 2020. Revenue from the sales of electric scooters increased by approximately 17.9%, from RMB8,659.5 million in 2020 to RMB10,208.6 million in 2021, and revenue from the sales of electric bicycles increased by approximately 67.2%, from RMB5,840.2 million in 2020 to RMB9,767.7 million in 2021, primarily due to the increase in the sales volume of electric two-wheeled vehicles. The average selling prices of the electric scooters increased from RMB1,552 in 2020 to RMB1,662 in 2021, and that of the electric bicycles increased from RMB1,118 in 2020 to RMB1,265 in 2021.

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

Product Type	For the year ended 31 December 2021			For the year ended 31 December 2020		
	Revenue (RMB'000)	% of total	Volume '000 units	Revenue (RMB'000)	% of total	Volume '000 units
Electric scooters	10,208,564	37.9	6,141.5	8,659,503	44.7	5,579.0
Electric bicycles	9,767,681	36.2	7,721.3	5,840,153	30.2	5,224.4
Subtotal	19,976,245	74.1	13,862.8	14,499,656	74.9	10,803.4
Batteries and chargers	6,583,763	24.4	Batteries: 13,279.7 Chargers: 9,504.6	4,532,919	23.4	Batteries: 9,777 Chargers: 6,741
Electric two-wheeled vehicle parts	407,524	1.5	N/A	327,740	1.7	N/A
Total	26,967,532	100.0	36,647.1	19,360,315	100.0	27,321.4

Cost of sales

Cost of sales of the Group increased by approximately 40.4% from RMB16,287.1 million in 2020 to RMB22,866.0 million in 2021, which is in line with the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, gross profit for the Group increased by approximately 33.5% from RMB3,073.2 million in 2020 to RMB4,101.5 million in 2021, and the gross profit margin decreased by 0.7% from approximately 15.9% in 2020 to approximately 15.2% in 2021.

Other income and gains, net

Other income and gains of the Group increased by approximately 47.4% from RMB258.1 million in 2020 to RMB380.3 million in 2021, primarily due to the increase in net fair value gains on financial assets at FVTPL and bank interest income and decrease in donations, partially offset by increase in net loss on disposal of property, plant and equipment and intangible assets.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 37.2% from RMB934.9 million in 2020 to RMB1,282.9 million in 2021, primarily due to the increase in employee benefits expenses, advertising expenses and travelling expenses.

Administrative expenses

Administrative expenses of the Group increased by approximately 36.9% from RMB597.5 million in 2020 to RMB817.9 million in 2021, primarily due to the increase in employee benefits expenses.

Research and development costs

Research and development costs increased by approximately 39.4% from RMB605.2 million in 2020 to RMB843.7 million in 2021, primarily due to the increase in employee benefits expenses and development projects relating to new products and new technologies.

Finance costs

Finance costs of the Group consist of interest costs on interest charges for lease liabilities and the loan from government. Finance costs increased by approximately 235.9% from RMB4.6 million in 2020 to RMB15.3 million in 2021, primarily due to increase in interest expense for lease liabilities and the loan from government.

Income tax expense

Income tax expense decreased by approximately 38.3% from RMB227.5 million in 2020 to RMB140.3 million in 2021, primarily due to the net effects of tax credit related to the RSUs partially offset by the increase in income tax expense as a result of the increase in net profit.

Profit for the year

As a result of the cumulative effect of the foregoing, profit of the Group increased by approximately 42.5% from RMB959.3 million in 2020 to RMB1,366.6 million in 2021.

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow

As at 31 December 2021, the Group's cash and cash equivalents amounted to RMB6,073.1 million, representing an increase of approximately 77.5% from RMB3,420.9 million as at 31 December 2020.

The Group's primary source of funding comes from cash flows generated from its operating activities. As at 31 December 2021, save for the interest-free loan of RMB300.7 million obtained by the Group from the local government in the PRC in relation to the construction of its new production facility, the Group did not have any borrowings. Taking into consideration the Group's current bank balances and cash and the expected cash flow from operations, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Net cash generated from operating activities was RMB3,693.0 million in 2021, as compared with net cash generated from operating activities of RMB2,217.5 million in 2020. Net cash used in investing activities was RMB824.3 million in 2021, as compared with net cash used in investing activities of RMB1,036.0 million in 2020. Net cash used in financing activities was RMB207.4 million in 2021, as compared with net cash used in financing activities of RMB358.7 million in 2020.

Net current assets

As at 31 December 2021, the Group had net current assets of RMB686.6 million, as compared with net current assets of RMB1,137.8 million as at 31 December 2020. The decrease in net current assets was primarily due to the increase in property, plant and equipment and land use rights for expanding production capacity.

Inventories

The Group's inventories consist of raw materials and finished goods. The Group's inventories increased by approximately 75.6% from RMB680.2 million as at 31 December 2020 to RMB1,194.2 million as at 31 December 2021, primarily due to the increase in stock reserve. The average inventory turnover days in 2021 increased to 14.8 days from 14.6 days in 2020, such increase was primarily due to the increase in stocking of raw material near the end of the Reporting Period.

Trade receivables

Trade receivables increased by approximately 4.1% from RMB377.1 million as at 31 December 2020 to RMB392.6 million as at 31 December 2021, primarily due to the increase in sales of goods.

Financial assets at FVTPL

The financial assets at FVTPL held by the Group mainly consist of principal-protected wealth management products and structured deposits with relatively low level of risk purchased from the commercial banks in the PRC. As at 31 December 2021, 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 3.4% from RMB4,008.0 million as at 31 December 2020 to RMB3,870.3 million as at 31 December 2021. Such decrease was primarily due to redemption of the wealth management products and structured deposits upon the end of the term of investments. For the year ended 31 December 2021, the Company recorded a gain in fair value of the financial assets at FVTPL of approximately RMB232.7 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 18.3% from RMB10,786 million as at 31 December 2020 to RMB12,758.2 million as at 31 December 2021, primarily due to the increase in bills payables owing to the suppliers resulting from the increase in purchases.

Gearing Ratio

Gearing ratio is calculated by other non-current liability divided by total equity. As at 31 December 2021, the gearing ratio of the Group is 8.8% (31 December 2020: 2.7%).

Currency risk

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

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

Human resources

As at 31 December 2021, the Group had 9,174 employees, as compared with 8,184 employees as at 31 December 2020 as the Group hired more employees in the production and sales department. Total staff costs in 2021, including labour outsourcing cost but excluding the Directors' remunerations, were RMB1,706.9 million, representing an increase of approximately 49.6% from RMB1,141.1 million in 2020, such increase was primarily due to the increment of salary level of the employees and recruitment of mid-to-senior level of experts and management personnel. 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 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 31 December 2021, the pledged assets of the Group amounted to RMB4,884.6 million (2020: RMB5,891.9 million).

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

On 17 December 2021, Yadea Technology Group Limited* (雅迪科技集團有限公司), a wholly-owned subsidiary of the Company, as the purchaser, Zhejiang Nandu Power Co., Ltd.* (浙江南都電源動力股份有限公司) and Binzhou Bohan Corporate Management Consulting Partnership (Limited Partnership)* (濱州博涵企業管理諮詢合夥企業(有限合夥)), both as vendors, entered into an agreement (the “**Acquisition Agreement**”) in relation to the acquisition of 70% equity interest in each of Jieshoushi Nandu Huayu Power Co., Ltd.* (界首市南都華宇電源有限公司) and Zhejiang Changxing Nandu Power Co., Ltd.* (浙江長興南都電源有限公司) (the “**Acquisition**”) for a consideration of RMB311.5 million and nil consideration, respectively. The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For details of the Acquisition and the Acquisition Agreement, please refer to the announcements of the Company dated 17 December 2021 and 10 March 2022.

On 4 January 2022, all conditions precedent stipulated in the Acquisition Agreement were satisfied and the Acquisition was completed.

Save as disclosed above, there were no other significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group, nor was there any plan authorised by the Board for other material investments or additions of capital assets, during the year ended 31 December 2021.

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

In September 2021, the Company has purchased from the market a total of 3,168,000 shares of the Company at an aggregate consideration of approximately HKD40.7 million (highest price per share: HKD13.39; lowest price per share: HKD11.88) for the share award schemes adopted by the Company.

Save as disclosed above, during the year ended 31 December 2021, 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 4 January 2022, the Acquisition is completed. For details of the Acquisition, please refer to section headed “Significant investment, material acquisitions and disposal of subsidiaries and associated companies” in this announcement.

On 20 January 2022, 41,520,000 shares of the Company were awarded to certain employees pursuant to the terms of the share award schemes of the Company. Details of the share award schemes of the Company will be set out in the annual report of the Company for the year ended 31 December 2021.

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 (formerly known as the Corporate Governance Code and Corporate Governance Report) (“**CG Code**”) as set out in Appendix 14 to the Listing Rules in force during the year ended 31 December 2021 and as at 31 December 2021, and has also put in place certain recommended best practices as set out in the CG Code. Throughout the year ended 31 December 2021, 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 2021.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiries have been made to all the Directors who have confirmed that they have complied with the Model Code throughout the year ended 31 December 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.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of 28.0 HK cents per ordinary share for the year ended 31 December 2021 (for the year ended 31 December 2020: 19.0 HK cents). The final dividend is subject to the approval of the Shareholders at the AGM and the final dividend will be paid on Friday, 15 July 2022 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 29 June 2022 (record date).

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on Friday, 17 June 2022. 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 transfers documents for registration. 4:30 p.m. on
Monday, 13 June 2022

Closure of register of members Tuesday, 14 June 2022 to
Friday, 17 June 2022
(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 transfers documents for registration. 4:30 p.m. on
Thursday, 23 June 2022

Closure of register of members Friday, 24 June 2022 to
Wednesday, 29 June 2022
(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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprising four independent non-executive Directors, namely Mr. Li Zongwei (chairman), Mr. Wu Biguang, Mr. Yao Naisheng and Mr. Wong Lung Ming, and one non-executive Director, namely Mr. Zhang Yiyin. The Audit Committee has reviewed the annual results for the year ended 31 December 2021 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 2021 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 2021 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.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to reflect and align with the new requirements under the amendments on the Listing Rules with effect from 1 January 2022, the Board proposed to put forward to the Shareholders for approval at the AGM a special resolution to amend the existing articles of association of the Company (the “**Articles of Association**”) and to adopt the amended and restated Articles of Association in substitution for, and to the exclusion of, the existing Articles of Association.

The proposed amendments (the “**Proposed Amendments**”) to the Articles of Association comprise amendments mainly related to core shareholder protection standards set out in Appendix 3 to the Listing Rules.

The Board is of the view that the Proposed Amendments are in the interests of the Company and the Shareholders as a whole.

The Proposed Amendments are subject to the approval of the Shareholders by way of special resolution at the AGM and, if approved, will become effective upon such approval. Prior to the passing of the relevant special resolution at the AGM, the prevailing Articles of Association shall remain valid.

After the Proposed Amendments come into effect, the full text of the amended and restated Articles of Association will be published on the websites of the Hong Kong Stock Exchange and the Company.

A circular containing, among other things, full version of the Proposed Amendments together with a notice of the AGM will be despatched to the Shareholders in due course.

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

Hong Kong, 28 March 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.