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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)

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

On 17 December 2021 (after trading hours), the Purchaser, the Vendors and the Target Companies entered into the Agreement in relation to the Acquisition.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition is more than 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE ACQUISITION

On 17 December 2021 (after trading hours), the Purchaser, the Vendors and the Target Companies entered into the Agreement in relation to the Acquisition. The principal terms of the Agreement are set out as below.

Subject Matter

The Company agreed to acquire a 70% equity interest in each of the Target Companies, comprising a 21% equity interest from the First Vendor and a 49% equity interest from the Second Vendor in each of the Target Companies.

Consideration

The consideration for the acquisition of the First Target Company is RMB311.5 million and nil consideration for the acquisition of the Second Target Company. The consideration is payable in cash on the day immediately after completion of the Acquisition. The consideration will be funded by internal resources of the Company.

Conditions precedent

The performance of the obligations of the Purchaser under the Agreement is conditional upon satisfaction of the following conditions.

- (i) each of the Purchaser and the Vendors having completed all relevant internal review procedures in accordance with the applicable laws and regulations in relation to the transactions contemplated under the Agreement;
- (ii) the First Vendor and the Second Vendor having passed the requisite resolutions to approve the Acquisition;
- (iii) the representations and warranties made by the Target Companies and the Vendors being true, accurate, complete and valid in all material respects as at the date of completion of the Acquisition; and
- (iv) no material adverse change to the financial performance and the business operations of the Target Companies as of the date of completion of the Acquisition.

Board composition

Upon completion, each of the board of directors of the Target Companies will comprise of three directors. The Purchaser will have the right to appoint two directors. The chairman of the board of the directors of the Target Companies shall be a person appointed by the Purchaser.

Financial Assistance to the Target Companies

- (i) Upon completion of the Acquisition, the shareholders of the Target Companies shall provide a shareholders' loan to the Target Companies in the aggregate amount of RMB960.0 million, pro-rata to their respective interest in the Target Companies. The Purchaser's pro-rated amount shall be approximately RMB672.0 million, which shall be applied towards partial repayment of the existing shareholder's loan provided by the First Vendor to the Target Companies and the working capital of the Target Companies. The Purchaser's commitment to the shareholder's loan will be funded by internal resources of the Company.

- (ii) As of the date of the Agreement, the First Vendor has provided guarantee for the loan of the Target Companies in the amount of RMB208.0 million. Within 30 days upon all the conditions under the Agreement being satisfied, the First Vendor will novate its obligations under the guarantee to the Purchaser.
- (iii) Conditional upon the approval by the shareholders of the First Vendor, the First Target Company will acquire certain patent rights, patent application rights and non-patent technologies related to lead-acid batteries for civil use, which are relevant and necessary for the production of batteries of the Target Companies, at a consideration of RMB35.0 million from the First Vendor. The Purchaser will provide a shareholder's loan to the First Target Company, pro-rata to its interest in the First Target Company in the amount of RMB24.5 million, for the acquisition.

Other information

As of the date of the Agreement, the First Target Company has provided guarantee for a loan owed by a wholly-owned subsidiary of the First Vendor to a third party independent of the Company in the amount of RMB124.6 million. Within 30 days upon all the conditions under the Agreement being satisfied, the First Target Company will novate its obligations under the guarantee to the First Vendor and such guarantee will be released from the First Target Company.

INFORMATION OF THE TARGET COMPANIES

The First Target Company is a company established in the PRC with limited liability. It operates in Jieshou Shi (界首市), Anhui Province (安徽省). It is principally engaged in the production of electronic plates and batteries.

The Second Target Company is a company established in the PRC with limited liability. It operates in Jieshou Shi (界首市), Anhui Province (安徽省). It is principally engaged in the sales of electronic plates and batteries.

The First Target Company is the production arm of the electronic plates and batteries and the Second Target Company is the sales arm of the electronic plates and batteries.

Upon completion of the Acquisition, the Target Companies will become non-wholly owned subsidiaries of the Company and the results, assets and liabilities of the Target Companies will be consolidated by the Company.

Financial Information of the Target Companies

Set out below are the combined unaudited consolidated financial information of the Target Companies for the two years ended 31 December 2020 and for the eleven months ended 30 November 2021.

	For the year ended 31 December 2019 (unaudited) <i>RMB in million</i>	For the year ended 31 December 2020 (unaudited) <i>RMB in million</i>	For the eleven months ended 30 November 2021 (unaudited) <i>RMB in million</i>
Revenue	2,713.9	3,067.0	3,781.9
Net loss before tax	134.7	182.4	344.0
Net loss after tax	134.7	182.4	344.0

The combined unaudited consolidated net liability of the Target Companies as at 30 November 2021 was approximately RMB771.4 million.

INFORMATION OF THE PARTIES

(1) The Group and the Purchaser

The Group is principally engaged in the development, manufacture and sale of electric two-wheeled vehicles and related accessories in the PRC.

The Purchaser is a wholly-owned subsidiary of the Company. It is principally engaged in the development, manufacture and sale of electric two-wheeled vehicles and related accessories in the PRC.

(2) The Vendors

As at the date of this announcement, the First Vendor holds a 51% equity interest in each of the Target Companies and the Second Vendor holds a 49% equity interest in each of the Target Companies.

The First Vendor has been a company listed on the Growth Enterprise Market of the Shenzhen Stock Exchange since 2010. It is principally engaged in the production and sale of lead-acid batteries, lithium-ion batteries, fuel cells and related products, as well as the production and sale of renewable lead, renewable lithium and other renewable energy products. The products of the First Vendor target the communication and data transmission, smart energy storage, green transportation and renewable energy industries.

The Second Vendor is a limited partnership. To the best knowledge, information and belief of the Directors, the limited partnership is principally engaged in the provision of corporate management and technological advisory services, marketing and technology development and transfer. The limited partnership is held as to approximately 99.98% by Ding Jiazheng (丁家正) and approximately 0.02% by Hangzhou Fanyu, while Hangzhou Fanyu is owned by Wang Lu (王路) and Zhao Yue Zhu (趙悅竹).

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiry, each of the Vendors, the Target Companies and their respective ultimate beneficial owners is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

REASONS AND BENEFITS OF THE ACQUISITION

The Group is committed to providing high quality and high performance green energy products for micro mobility purposes. The Acquisition is expected to help maintain the Group's leading positions in the field of production and development of electric two-wheeled vehicles stabilizes the supply chain of the Group and enable the Group to expand its supply capabilities. The Acquisition further assists the Group to maintain its technological advancement, quality and stability of the existing core products of the Group. Prior to the Acquisition, the Group imposed trade restrictions to the Target Companies for its sales of the graphene batteries to the after-sales market, the Company is expected to waive such restrictions and is confident that the waiver could broaden the revenue and profit streams of the Target Companies and in turn benefit the Group. Subsequent to the Acquisition, the Group will benefit from the synergising effects of the technology of production of batteries.

The consideration was arrived after arm's length negotiations between the parties and was determined by reference to the following:

- (i) the Group has been one of the largest customers of the Target Companies, and had accounted for no less than 47.0% of the revenue of the Target Companies during the six months ended 30 June 2021;
- (ii) the Group will be able to have full control of the technology of the production of graphene batteries;
- (iii) the transfer of a research and development team from the First Vendor to the Target Companies, which will be fundamental to future research and development projects in relation to batteries for electric two-wheeled vehicles;
- (iv) the historical financial performance of the Target Companies, recording approximately 13% year-on-year growth in revenue between 2019 and 2020;
- (v) the unaudited combined net losses of the Target Companies being in the amount of RMB182.4 million and RMB134.7 million for the year ended 31 December 2020 and 2019, respectively; and

- (vi) the future potential and prospects of production and sale of electronic plates and batteries, especially graphene batteries, as one of the core products of the Target Companies.

The Board considers that the terms of the Agreement (including the Consideration) are normal commercial terms and are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition is more than 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

“Acquisition”	the acquisition of 70% equity interest in each of the Target Companies
“Agreement”	the agreement dated 17 December 2021 entered into between the Purchaser, the Vendors and the Target Companies in relation to the Acquisition
“Board”	the board of directors
“Company”	Yadea Group Holdings Ltd., a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“First Target Company”	Jieshoushi Nandu Huayu Power Co., Ltd.* (界首市南都華宇電源有限公司), a company established in the PRC with limited liability
“First Vendor”	Zhejiang Nandu Power Co., Ltd.* (浙江南都電源動力股份有限公司), a company established in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Hangzhou Fanyu”	Hangzhou Fanyu Investment Management Co., Ltd.* (杭州梵域投資管理有限公司)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Yadea Technology Group Limited* (雅迪科技集團有限公司), a company established in the PRC with limited liability
“Second Target Company”	Zhejiang Changxing Nandu Power Co., Ltd.* (浙江長興南都電源有限公司), a company established in the PRC with limited liability
“Second Vendor”	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))
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	the First Target Company and the Second Target Company
“Vendors”	the First Vendor and the Second Vendor

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

Hong Kong, 17 December 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.

* *For identification purpose only*