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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)

**CONNECTED TRANSACTION
ACQUISITION OF THE REMAINING 30% EQUITY INTEREST
IN THE TARGET COMPANY**

References are made to the announcements of the Company dated 17 December 2021 and 10 March 2022, respectively in relation to the Previous Acquisition. On 19 August 2022 (after trading hours), the Purchaser, the Vendor and the Target Company entered into the Agreement in relation to the Acquisition.

THE ACQUISITION

Pursuant to the Agreement, the Purchaser agreed to acquire from the Vendor the remaining 30% equity interest in the Target Company. Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

Chapter 14

As all the applicable percentage ratios in respect of the Acquisition (i) on a standalone basis, are less than 5%; and (ii) as aggregated with the Previous Acquisition, will not result in a higher transaction classification and the Company had already complied with the discloseable transaction requirements in respect of the Previous Acquisition, the Acquisition (on a standalone basis) does not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Chapter 14A

The Vendor is a substantial shareholder of a subsidiary of the Company, and therefore a connected person of the Company at the subsidiary level. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios in respect of the Acquisition (on a standalone basis) exceed 0.1% but are less than 5%, the Acquisition is subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE ACQUISITION

References are made to the announcements of the Company dated 17 December 2021 and 10 March 2022, respectively in relation to the Previous Acquisition.

On 19 August 2022 (after trading hours), the Purchaser, the Vendor and the Target Company entered into the Agreement in relation to the Acquisition.

Subject Matter

The Purchaser (a wholly-owned subsidiary of the Company) agreed to acquire from the Vendor the remaining 30% equity interest in the Target Company. Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Consideration

The consideration for the Acquisition is RMB133.5 million, of which RMB123.5 million shall be payable in cash within four days from the date of the Agreement, and the balance of RMB10.0 million (the "**Balance**") shall be payable in cash on or before 31 December 2022 (or the next following Business Day). In the event of any amounts payable to, or contingent liabilities owing to, the Target Company by the Vendor arising during the period from the Completion Date to 4 January 2023 (being the next Business Day following 31 December 2022), the Purchaser shall be entitled to deduct from the Balance the portion to be accounted for by the Vendor as agreed between the parties. The consideration will be funded by internal resources of the Company.

Basis of Consideration

The consideration was arrived at after arm's length negotiations between the parties and was determined based on various strategic and qualitative factors as a whole taking into account, among other things:

- (i) the consideration of RMB311.5 million for the Previous Acquisition, details of which are set out in the announcement of the Company dated 10 March 2022; and

- (ii) other strategic benefits the Company would obtain by turning the Target Company into a wholly-owned subsidiary. For details, please refer to the section headed “Reasons for and Benefits of the Acquisition” below.

Shareholders’ Loan

Within four days from the date of the Agreement, the Target Company shall repay the outstanding shareholders’ loan to the Vendor in the principal amount of RMB288 million with accrued interests.

INFORMATION ON THE TARGET COMPANY

The 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 and sales of electronic plates and batteries.

In April 2022, the Second Target Company was acquired by the Target Company. Prior to the acquisition, the Target Company was principally engaged in the production of electronic plates and batteries and the Second Target Company was principally engaged in the sales of electronic plates and batteries. Upon completion of the acquisition, the Target Company combined the production arm and the sales arm of the electronic plates and batteries.

Prior to the completion of the Acquisition, the Target Company is indirectly owned as to 70% by the Company. Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Financial Information of the Target Companies

Set out below is the combined unaudited consolidated financial information of the Target Companies for the two years ended 31 December 2021.

| | For the year ended 31 December 2020 (unaudited) <i>RMB in million</i> | For the year ended 31 December 2021 (unaudited) <i>RMB in million</i> |
|---------------------|--|--|
| Revenue | 2,713.9 | 4,064.0 |
| Net loss before tax | 134.7 | 517.4 |
| Net loss after tax | 134.7 | 517.4 |

The combined unaudited consolidated net liability of the Target Companies as at 31 December 2021 was approximately RMB771.4 million.

Based on the announcement made by the Vendor dated 22 September 2011, the original acquisition cost of 51% equity interest in the Target Companies to the Vendor was approximately RMB193.8 million (i.e. 30% equity interest in the Target Companies shall amount to approximately RMB114 million).

INFORMATION ON THE PARTIES

The Group

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

The Purchaser

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.

The Vendor

As at the date of this announcement, the Vendor holds 30% equity interest in the Target Company. The 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 Vendor target the communication and data transmission, smart energy storage, green transportation and renewable energy industries.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is committed to seizing development opportunities and expanding its production capacity. The Target Company is currently one of the major suppliers of the Group for its graphene batteries for the production of the Guanneng edition electric two-wheeled vehicles. The aggregate purchase of the Group attributable to the Target Companies accounted for approximately 10.2% of the Group's total purchases for the year ended 31 December 2021, making the Target Companies the largest supplier of the Group. The Acquisition is expected to help secure the Group's leading position in the field of production and development of electric two-wheeled vehicles, and enable the Group to further expand its supply capabilities and lower its costs of production.

The Directors (including the independent non-executive Directors) consider that the Agreement (including the consideration) is conducted in the ordinary and usual course of business of the Group on normal commercial terms which are fair and reasonable, and is in the interests of the Company and its shareholders as a whole.

None of the Directors has a material interest in the Agreement and the transactions contemplated thereunder and therefore no Director has abstained from voting on the Board resolutions approving the same.

LISTING RULES IMPLICATIONS

Chapter 14

As all the applicable percentage ratios in respect of the Acquisition (i) on a standalone basis, are less than 5%; and (ii) as aggregated with the Previous Acquisition, will not result in a higher transaction classification and the Company had already complied with the discloseable transaction requirements in respect of the Previous Acquisition, the Acquisition (on a standalone basis) does not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

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DEFINITIONS

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

| | |
|-------------------|---|
| “Acquisition” | the acquisition of 30% equity interest in the Target Company pursuant to the Agreement |
| “Agreement” | the agreement dated 19 August 2022 entered into among the Purchaser, the Vendor and the Target Company in relation to the Acquisition |
| “Business Day” | a day other than a Saturday, Sunday or general public holiday in the PRC |
| “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 |
| “Completion Date” | the date on which the Vendor transfers the 30% equity interest in the Target Company to the Purchaser as agreed by the parties to the Agreement, being the date of the Agreement (or such other date as agreed in writing by the parties) |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |

| | |
|-------------------------|---|
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China |
| “Previous Acquisition” | the acquisition of 70% equity interest in each of the Target Companies pursuant to the agreement dated 17 December 2021 entered into among the Purchaser, the 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)) and the Target Companies, details of which are set out in the announcements of the Company dated 17 December 2021 and 10 March 2022, respectively |
| “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 |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Companies” | the Target Company and the Second Target Company |
| “Target Company” | Huayu New Energy Technology Co., Ltd* (華宇新能源科技有限公司), a company established in the PRC with limited liability, formerly known as Jieshoushi Nandu Huayu Power Co., Ltd.* (界首市南都華宇電源有限公司) |
| “Vendor” | Zhejiang Narada Power Source 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 |

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

Hong Kong, 19 August 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