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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**our Group**”, “**we**” or “**us**”) for the year ended 31 December 2016 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2015 as follows:

FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue increased by approximately 3.6% to approximately RMB6,662.1 million as compared with the corresponding period in 2015.
- Gross profit increased by approximately 11.1% to approximately RMB1,352.8 million as compared with the corresponding period in 2015.
- Profit attributable to ordinary equity holders of the parent increased by approximately 14.6% to approximately RMB430.1 million as compared with the corresponding period in 2015.
- Basic earnings per share was RMB16.2 cents. Diluted earnings per share was RMB15.8 cents
- Proposed a final dividend of 4.0 HK cents per ordinary share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 31 December 2016*

		2016	2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	4(a)	6,662,139	6,429,187
Cost of sales	5(a)	<u>(5,309,375)</u>	<u>(5,211,994)</u>
Gross profit		1,352,764	1,217,193
Other income and gains, net	4(b)	81,027	85,770
Selling and distribution expenses		(451,191)	(453,544)
Administrative expenses		(427,968)	(358,528)
Finance costs	6	<u>(216)</u>	<u>(24)</u>
PROFIT BEFORE TAX	5	554,416	490,867
Income tax expense	7	<u>(124,287)</u>	<u>(115,400)</u>
PROFIT FOR THE YEAR		<u>430,129</u>	<u>375,467</u>
Profit attributable to:			
Owners of the parent		<u>430,129</u>	<u>375,467</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic			
– For profit for the year (RMB)	9	<u>16.2 cents</u>	<u>18.0 cents</u>
Diluted			
– For profit for the year (RMB)	9	<u>15.8 cents</u>	<u>16.5 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>430,129</u>	<u>375,467</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>53,552</u>	<u>989</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>53,552</u>	<u>989</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>53,552</u>	<u>989</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>483,681</u>	<u>376,456</u>
Attributable to:		
Owners of the parent	<u>483,681</u>	<u>376,456</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 RMB'000	2015 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		732,980	679,709
Prepaid land lease payments		292,839	220,612
Intangible assets		16,966	14,162
Available-for-sale investments		14,683	8,223
Prepayments		59,413	84,600
Deferred tax assets		19,106	18,202
		<hr/>	<hr/>
Total non-current assets		1,135,987	1,025,508
CURRENT ASSETS			
Inventories	<i>10</i>	205,000	141,491
Trade and bills receivables	<i>11</i>	279,691	183,225
Prepayments, deposits and other receivables		255,176	212,097
Financial assets at fair value through profit or loss		1,411,630	861,700
Pledged bank deposits		777,073	779,056
Cash and cash equivalents		1,801,405	786,691
		<hr/>	<hr/>
Total current assets		4,729,975	2,964,260

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2016*

	<i>Note</i>	2016 RMB'000	2015 <i>RMB'000</i>
CURRENT LIABILITIES			
Trade and bills payables	12	3,287,399	2,880,431
Other payables and accruals		285,242	256,740
Interest-bearing bank borrowings		–	12,997
Tax payable		72,751	35,603
Total current liabilities		3,645,392	3,185,771
NET CURRENT ASSETS/(LIABILITIES)		1,084,583	(221,511)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,220,570	803,997
NON-CURRENT LIABILITIES			
Other payables		–	22,160
NET ASSETS		2,220,570	781,837
EQUITY			
Equity attributable to owners of the parent			
Share capital		188	135
Reserves		2,220,382	781,702
Total equity		2,220,570	781,837

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP 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 of the Company is Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 May 2016 (the “**Listing Date**”).

The Company is an investment holding company. The Group was principally engaged in the development, manufacture and sale of electric vehicles and related accessories in the People’s Republic of China (the “**PRC**”).

In the opinion of the Directors, the ultimate controlling shareholders of the Company are Mr. Jinggui Dong and Ms. Jinghong Qian (the “**Controlling Shareholders**”).

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 British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011) <i>Annual Improvements</i> <i>2012-2014 Cycle</i>	<i>Equity Method in Separate Financial Statements</i> Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

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

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 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*.

Information about a major customer

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for rebate and trade discounts during the year.

An analysis of revenue, other income and gains, net is as follows:

(a) **Revenue:**

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Sale of goods	<u>6,662,139</u>	<u>6,429,187</u>

(b) **Other income and gains, net:**

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Bank interest income	13,414	19,180
Government grants*	23,594	14,138
Gains from financial assets at fair value through profit or loss	37,161	42,651
Net gain on disposal of items of property, plant and equipment	854	988
Others	<u>6,004</u>	<u>8,813</u>
	<u>81,027</u>	<u>85,770</u>

* Various government grants have been received for the encouragement of the Company's listing on the Stock Exchange and contributions to local economy. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived after charging/(crediting):

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
(a) Cost of sales:		
Cost of inventories sold	<u>5,309,375</u>	<u>5,211,994</u>
(b) Employee benefit expenses (including Directors' and chief executive's remuneration):		
Wages and salaries	245,561	265,647
Pension scheme contributions (defined contribution scheme), social welfare and other welfare	<u>41,157</u>	<u>49,717</u>
	<u>286,718</u>	<u>315,364</u>
(c) Other items:		
Depreciation of items of property, plant and equipment	63,123	53,054
Amortization of prepaid land lease payments	5,276	4,550
Amortization of intangible assets	3,877	2,207
Advertisement and business promotion expenses	298,076	297,265
Auditor's remuneration	3,000	439
Research and development costs*	163,267	133,679
Logistics expenses	67,645	67,241
Operating lease expenses	7,122	7,324
Labour services outsourcing costs	33,504	–
Net gain on disposal of items of property, plant and equipment	(854)	(988)
Provision/(reversal of provision) for impairment of trade receivables	<u>354</u>	<u>(997)</u>

* Research and development costs are included in “administrative expenses” in the consolidated statement of profit or loss. Research and development costs included wages and salaries amounting to RMB29,300,000 for the year ended 31 December 2016 (2015: RMB20,810,000), which are also included in employee benefit expenses disclosed in note 5(b) above.

6. FINANCE COSTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest on bank loans	<u>216</u>	<u>24</u>

7. INCOME TAX

Tax on the consolidated statement of profit or loss represents:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Current – the PRC		
Corporate income tax for the year	125,191	119,834
Deferred tax	(904)	(4,434)
	<hr/>	<hr/>
Total tax charge for the year	124,287	115,400

8. DIVIDENDS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Special dividend	–	111,192
Proposed final dividend – 4.0 HK cents per ordinary share	107,341	–
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	107,341	111,192

The proposed final dividend for the year ended 31 December 2016 is subject to the approval of the Shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting.

On 29 January 2015, a special one-time cash dividend in the amount of HK\$154,000,000 was declared by the Company to its Shareholders and such dividend was paid on 30 January 2015 (except for an amount of approximately HK\$13,600,000 which was unpaid as one of the Shareholders waived its right to receive the dividend declared on 29 January 2015).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,653,259,563 (2015: 2,087,000,000 shares) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the years, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	<u>430,129</u>	<u>375,467</u>
	Number of Shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>2,653,259,563</u>	<u>2,087,000,000</u>
Effect of dilution-weighted average number of ordinary shares: Series A preferred shares	<u>73,297,814</u>	<u>193,000,000</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u>2,726,557,377</u>	<u>2,280,000,000</u>

The weighted average number of ordinary shares used to calculate the basic earnings per share for year ended 31 December 2015 included the 2,000,000,000 ordinary shares, and the 87,000,000 shares in connection with the capitalization issue, which were deemed to have been issued as of the beginning of the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2016 included the weighted average of 193,000,000 ordinary shares converted from Series A preferred shares and 720,000,000 ordinary shares issued in connection with the Company's Global Offering on 19 May 2016 and the aforesaid 2,087,000,000 ordinary shares.

10. INVENTORIES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Raw materials	133,932	101,301
Finished goods	<u>71,068</u>	<u>40,190</u>
	<u>205,000</u>	<u>141,491</u>

11. TRADE AND BILLS RECEIVABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	280,667	181,799
Impairment	(2,306)	(1,952)
	<u>278,361</u>	<u>179,847</u>
Bills receivable	<u>1,330</u>	<u>3,378</u>
	<u>279,691</u>	<u>183,225</u>

Full payment is typically required from customers of the Group before delivery of goods, except for certain customers in respect of credit sales. The credit terms generally vary from 15 days to six months from the date of billing. The Group seeks to maintain strict control over its outstanding receivables, and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The Group's bills receivable were all aged within six months and neither past due nor impaired.

The aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment allowances, is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 6 months	278,222	177,456
More than 6 months but less than a year	–	–
Over 1 year	139	2,391
	<u>278,361</u>	<u>179,847</u>

12. TRADE AND BILLS PAYABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables	1,259,443	940,537
Bills payable	2,027,956	1,939,894
	<u>3,287,399</u>	<u>2,880,431</u>

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 3 months	1,729,643	1,651,079
3 to 6 months	1,461,274	1,180,176
6 to 12 months	58,214	21,905
12 to 24 months	20,077	23,930
Over 24 months	18,191	3,341
	<u>3,287,399</u>	<u>2,880,431</u>

Trade payables are non-interest-bearing and have an average credit term of 15 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

The PRC is the largest consumer market for electric two-wheeled vehicles in the world. According to Frost & Sullivan, the PRC's retail sales volume and total number of vehicles on roads (the "PARC") of electric two-wheeled vehicles accounted for approximately 86.8% and approximately 84.9% of those of the world in 2015, respectively. The rapid growth of the electric two-wheeled vehicle industry in the PRC has been driven largely by rising disposable income, maturing consumer preference and increasing demand for convenient transportation. According to Frost & Sullivan, the PARC of electric scooters and electric bicycles in the PRC reached 199.8 million units in 2015 and is estimated to climb to 276.3 million units in 2020.

Meanwhile, the retail sales volume of electric scooters and electric bicycles increased from 25.9 million units in 2010 to 34.0 million units in 2015 and is expected to reach 44.0 million units by the end of 2020, representing a compound annual growth rate (the "CAGR") of approximately 5.3%, and the retail sales value of electric scooters and electric bicycles in the PRC has experienced fast growth during the past few years, rising from RMB58.2 billion in 2010 to RMB82.2 billion in 2015, representing a CAGR of approximately 7.1%. Along with the increasing demand and rising retail prices of electric two-wheeled vehicles, the sales value in the PRC is expected to reach RMB124.7 billion by 2020, representing a CAGR of approximately 8.7% from 2015. As consumers seek well-designed and branded products, market players have increasingly focused on brand building and product design, manufacturers with well-known brands and strong research and development capabilities are expected to enjoy a higher growth potential.

Business Review

We are a leading electric two-wheeled vehicle brand in the PRC, focusing on designing, researching, developing, manufacturing and selling electric scooters, electric bicycles and related accessories. The year of 2016 is a crucial year to the business development of our Group. We had spared no effort and taken numerous initiatives in ensuring our initial public offering success while we continued to expand our business and solidify our position in the high-end electric two-wheeled vehicle market in the PRC.

Revenue from the sales of electric two-wheeled vehicles and related accessories increased by approximately 3.6% from RMB6,429.2 million in 2015 to RMB6,662.1 million in 2016, primarily attributable to the increases in the average selling prices of electric scooters and electric bicycles. In 2016, our Group introduced 45 new models of electric scooters and 47 new models of electric bicycles with advanced performance characteristics and upgraded certain of models of electric scooters and electric bicycles, which allowed us to command higher unit selling prices than the old models. As a result, the average selling price of electric scooters increased from RMB1,704.0 in 2015 to RMB1,766.0 in 2016 and electric bicycles increased from RMB1,140.0 in 2015 to RMB1,181.0 in 2016. The total sales volume of electric scooters and electric bicycles decreased slightly from 3,321,058 units in 2015 to 3,319,582 units in 2016. Accordingly, our Group's overall gross profit margin was 20.3% in 2016, up by 1.4% as compared with the gross profit margin in 2015.

Over the course of ten years, our Group has built an extensive distribution network with a wide geographical reach. Our domestic network covered almost every administrative region of China and consisted of 1,717 distributors as well as their sub-distributors with over 9,170 points of sales as of 31 December 2016. Internationally, we made sales in over 50 countries through our extensive international distribution network. In 2016, we continued to carry out the distributor points of sales overhaul campaign which we have set up in line with global retail industry trends towards the provision of customized services, a focus on the customer experience, on-store displays and brand presentation. As at 31 December 2016, we had completed upgrading approximately 5,380 points of sales and expect to complete upgrades by the end of 2017.

In view of the increasing demand of electric scooters in southern China and overloaded capacity of our Dongguan production facility, in October 2016, we moved our production of electric scooters to a new site with a total area of approximately 106,667 square meters, which consists of production facilities, staff dormitory and offices, in Qingyuan. The new production facility had 400 employees and five production lines as of 31 December 2016. After the relocation, our Group's estimated maximum production capacity of electric scooters in southern China has increased from approximately 0.4 million units to approximately 0.7 million units per year.

In the area of research and development, our Group continued to pursue cooperation with selected strategic alliances to enhance our capability for innovation, in particular, on the design of new products and new technology for core parts and components. Currently, we are in the process of developing the lithium battery for our electric two-wheeled vehicles with one of our strategic alliances, Lightning Motors Corporation, a U.S. company specializing in researching and developing advanced electric two-wheeled vehicles. We expect the lithium battery will have a high energy ratio amounts to 120% of those of existing lithium batteries and long utilisation life. This will significantly improve the performance of electric two-wheeled vehicles and enhance our market competitiveness.

Outlook

As a step to promote “Yadea” brand, expand our business and recruit talented professionals internationally, our Group intend to relocate our headquarter from Wuxi to Shanghai. By establishing a headquarter in Shanghai, one of the international metropolis in the PRC, we hope to attract talented professionals and facilitate our ambition to further capture the growth in demand for high-end electric two-wheeled vehicles not only in the PRC but across the world. We will actively expand our international sales by deepening penetration in the existing markets and entering new international markets which have high growth potential, especially markets in Southeast Asia. We intend to replicate its success in China in the Southeast Asia through (i) cooperating with the local distributors which has a wide distribution network to promote our brand and introduce our products, and (ii) introducing new models of electric two-wheeled vehicles or adjusting the existing models of electric two-wheeled vehicles to tailor for the taste and preference of the international customers.

What’s more, our Group has been focusing on the establishment of the premium brand by adopting a high-end positioning strategy. In order to expand our customer base and capture the additional market share in the PRC, apart from continuing upgrading existing models of electric scooters and electric bicycles and introducing new models of electric scooters and electric bicycles with advanced performance characteristics, we intend to adjust our product mix by introducing new models of economical electric two-wheeled vehicles to attract more customers in the PRC and Southeast Asia. We expect to enlarge our market share and further promote the brand of “Yadea” through the anticipated emergence of new models of economical electric two-wheeled vehicles.

Financial Review

Revenue

The Group recorded revenue of RMB6,662.1 million, representing an increase of approximately 3.6% from RMB6,429.2 million in 2015, primarily attributable to increases in the average selling prices of electric scooters and electric bicycles.

Product Type	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Revenue (RMB'000)	% of total	Volume '000 units	Revenue (RMB'000)	% of total	Volume '000 units
Electric scooters	3,584,084	53.8	2,029.1	3,483,214	54.2	2,044.6
Electric bicycles	1,523,745	22.9	1,290.5	1,455,416	22.6	1,276.5
Subtotal	5,107,829	76.7	3,319.6	4,938,630	76.8	3,321.1
Batteries and chargers	1,498,248	22.5	Batteries: 3,059.2 Charges: 2,090.1	1,427,914	22.2	Batteries: 3,115.1 Charges: 2,117.0
Electric two-wheeled vehicle parts	56,062	0.8	N/A	62,643	1.0	N/A
Total	6,662,139	100.0	8,468.9	6,429,187	100.0	8,553.2

Revenue from the sales of electric scooters increased by approximately 2.9%, from RMB3,483.2 million in 2015 to RMB3,584.1 million in 2016, and from the sales of electric bicycles increased by approximately 4.7%, from RMB1,455.4 million in 2015 to RMB1,523.8 million in 2016. The increases were due to the increased average selling prices of the electric scooters from RMB1,704.0 in 2015 to RMB1,766.0 in 2016 and electric bicycles from RMB1,140.0 in 2015 to RMB1,181.0 in 2016 as the Group (i) introduced new models of electric scooters and electric bicycles with advanced performance characteristics and higher unit selling prices, and (ii) upgraded certain models of electric scooters and electric bicycles which allowed the Group to charge higher unit selling prices as compared with old models.

Cost of sales

Cost of sales increased by approximately 1.9%, from RMB5,212.0 million in 2015 to RMB5,309.4 million in 2016. Such increase was generally in line with the increase in the Group's revenue.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by approximately 11.1% from RMB1,217.2 million in 2015 to RMB1,352.8 million in 2016.

Gross profit margin in 2016 was 20.3%, slightly higher than the gross profit margin of 18.9% in 2015, mainly attributable to the increased average selling prices of the electric scooters, electric bicycles, the batteries and chargers.

Other income and gains

Other income and gains decreased by approximately 5.5% from RMB85.8 million in 2015 to RMB81.0 million in 2016. The decrease was primarily due to the decrease of RMB5.8 million in interest income and the decrease of RMB5.5 million in gains from the wealth management products included in the financial assets at fair value through profit or loss, which was partially offset by the increase of RMB9.5 million in discretionary government grants.

Administrative expenses

Administrative expenses increased by approximately 19.4%, from RMB358.5 million in 2015 to approximately RMB428.0 million in 2016. The increase was mainly due to (i) the increase in research and development expenses, (ii) the increase in depreciation, and (iii) the professional fee expenses incurred on the Listing.

Profit for the Year

As a result of the cumulative effect of the foregoing, the Group's profit increased by approximately 14.6% from RMB375.5 million in 2015 to RMB430.1 million in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 31 December 2016, the Group's cash and cash equivalents amounted to RMB1,801.4 million, representing an increase of approximately 129.0% from RMB786.7 million as at 31 December 2015.

The Group's primary uses of cash were payment for suppliers and funding of working capital and daily operating expenses. The Group financed its liquidity requirements through a combination of banking facilities and cash flows generated from its operating activities.

Net cash generated from operating activities was RMB752.0 million in 2016, as compared with net cash generated from operating activities of RMB793.9 million in 2015. Net cash used in investing activities was RMB732.7 million and RMB410.9 million in 2016 and in 2015, respectively. Net cash generated from financing activities in 2016 was RMB941.8 million, as compared with net cash used in financing activities of RMB98.2 million in 2015.

Net current assets

As at 31 December 2016, the Group had net current assets of RMB1,084.6 million, as compared with net current liabilities of RMB221.5 million as at 31 December 2015.

Inventories

The Group's inventories consist of raw materials and finished goods. The Group's inventories increased by approximately 44.9% from RMB141.5 million as at 31 December 2015 to RMB205.0 million as at 31 December 2016, primarily due to the increase of the finished goods which were stocked for anticipated sales in 2017 Spring Festival and the increase of raw materials considering in the case that potential increased price will occur in 2017. The average inventory turnover days in 2016 increased to 11.8 days from 10.5 days in 2015.

Trade and bills receivables

Trade and bills receivables increased from RMB183.2 million as at 31 December 2015 to RMB279.7 million as at 31 December 2016, primarily due to (i) the higher credit limits that the Group offered to selected distributors with a good credit history, and (ii) the increase of the sales volume of electric scooters and electric bicycles in the fourth quarter of 2016 when compared with the corresponding period in 2015.

Trade and bills payables

Trade and bills payables increased from RMB2,880.4 million as at 31 December 2015 to RMB3,287.4 million as at 31 December 2016, primarily due to the increase in purchase volume of the raw materials in the fourth quarter of 2016 when compared with the corresponding period in 2015, which is in line with the increase in our sales volume of electric scooters and electric bicycles during the same period.

Foreign currency risk

The Group currently has not used any derivatives to hedge foreign currency risk. The Group operates its businesses in the PRC and conducts domestic business in RMB. Substantially all of the Group's assets and liabilities are denominated in RMB. The limited foreign exchange exposure is from international sales, which are denominated in U.S. dollars.

Human resources

As at 31 December 2016, the Group had 3,131 employees, as compared with 3,836 employees as at 31 December 2015 due to the labour outsourcing of certain production employees. Total staff costs in 2016, including labour outsourcing cost but excluding the Directors' remunerations, were RMB316.9 million, representing an increase of approximately 1.3% from RMB312.7 million in 2015. The Group will regularly review its remuneration policy and the benefits to its employees with reference to market practice and the performance of individual employees.

Contingent liabilities

As at 31 December 2016, 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 banking facilities which were used to finance daily business operation. As at 31 December 2016, the pledged assets of the Group amounted to RMB1,756.7 million.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed herein, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group in 2016.

Acquisition of the Entire Issued Share Capital of True Vantage Global Limited ("True Vantage")

In light of the increasing demand of electric scooters in southern China and the overloaded capacity of the Dongguan production facility, the Company acquired a site owned by Caishi (Qingyuan) Products Co., Ltd. by acquiring the entire issued shares of True Vantage, a company indirectly owns Caishi (Qingyuan) Products Co., Ltd.. On 17 October 2016, the Company entered into a share transfer agreement with an independent third party, pursuant to which the Company agreed to purchase and the independent third party agreed to sell the entire issued shares of True Vantage at a consideration of RMB88,000,000.

The new site in Qingyuan has a total area of approximately 106,667 square meters, which consists of production facility, staff dormitory and office. As of 31 December 2016, the new production facility had approximately 400 employees and five production lines with estimated maximum production capacity to manufacture 0.7 million units of electric scooters per year.

None of the applicable percentage ratio(s) as set out in Rule 14.07 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) in respect of the acquisition mentioned above exceeds 5%, therefore it does not constitute notifiable transactions of the Company or any connected transaction under chapter 14A of the Listing Rules.

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

During the period commencing from the Listing Date to 31 December 2016, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities.

EVENTS AFTER THE REPORTING PERIOD

There was no significant events relevant to the business or financial performance of the Group that come to the attention of the Directors since 31 December 2016.

COMPLIANCE WITH THE 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. Throughout the period commencing from the Listing Date to 31 December 2016, 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.

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 period commencing from the Listing Date to 31 December 2016.

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 4.0 HK cents per ordinary share for the year ended 31 December 2016 (for the year ended 31 December 2015: Nil). The final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company and the final dividend will be paid on 29 June 2017 to Shareholders whose names appear on the register of members of the Company on the record date. The record date for final dividend will be disclosed in the notice of annual general meeting.

AUDIT COMMITTEE

Pursuant to the requirements under the CG Code and the Listing Rules, the Company has established an audit committee (the “**Audit Committee**”) comprising three independent non-executive Directors, namely Mr. Li Zongwei (chairman), Mr. Wu Biguang and Mr. Yao Naisheng.

The Audit Committee and the Company’s management have considered and reviewed the accounting principles and practices adopted by the Group and have discussed matters in relation to risk management, internal control and financial reporting, including the review of the consolidated financial statements of the Group for the year ended 31 December 2016.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Shareholders will be held on a date to be fixed by the Board. Notice of annual general meeting will be published and despatched to the Shareholders in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yadea.com.cn). The annual report of the Company for the year ended 31 December 2016 will be dispatched to the Shareholders and made available on the same websites in due course.

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

Hong Kong, 10 March 2017

As at the date of this announcement, the Board consists of Mr. Dong Jinggui (Chairman), Ms. Qian Jinghong, Mr. Liu Yeming, Mr. Shi Rui and Mr. Shen Yu as executive Directors, and Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng as independent non-executive Directors.