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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017**

The board (the “**Board**”) of directors (the “**Directors**”) of Yadea Group Holdings Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2017 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2016 as follows:

FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue increased by approximately 10.8% to approximately RMB3,254.5 million as compared with the corresponding period in 2016.
- Gross profit decreased by approximately 21.6% to approximately RMB493.9 million as compared with the corresponding period in 2016.
- Profit attributable to ordinary equity holders of the parent decreased by approximately 3.3% to approximately RMB171.6 million as compared with the corresponding period in 2016.
- Basic and diluted earnings per share decreased as compared with the corresponding period in 2016.

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

		Unaudited	
		For the six months ended June 30, 2017	For the six months ended June 30, 2016
	<i>Notes</i>	RMB'000	RMB'000
REVENUE	4(a)	3,254,454	2,937,686
Cost of sales	5(a)	<u>(2,760,581)</u>	<u>(2,307,494)</u>
Gross profit		493,873	630,192
Other income and gains, net	4(b)	85,704	38,305
Selling and distribution expenses		(165,304)	(238,437)
Administrative expenses		(198,157)	(201,570)
Finance costs	6	<u>–</u>	<u>(134)</u>
Profit before tax	5	216,116	228,356
Income tax expense	7	<u>(44,525)</u>	<u>(50,855)</u>
Profit for the period		<u>171,591</u>	<u>177,501</u>
Profit attributable to:			
Owners of the parent		<u>171,591</u>	<u>177,501</u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
– For profit for the period (RMB)	9	<u>0.06</u>	<u>0.08</u>
Diluted			
– For profit for the period (RMB)	9	<u>0.06</u>	<u>0.07</u>

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	For the six months ended June 30, 2017 RMB'000	For the six months ended June 30, 2016 RMB'000
PROFIT FOR THE PERIOD	<u>171,591</u>	<u>177,501</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(24,115)</u>	<u>12,642</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>(24,115)</u>	<u>12,642</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(24,115)</u>	<u>12,642</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>147,476</u>	<u>190,143</u>
Attributable to:		
Owners of the parent	<u>147,476</u>	<u>190,143</u>

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Long term receivable		182,259	–
Property, plant and equipment		710,656	732,980
Prepaid land lease payments		290,172	292,839
Intangible assets		16,776	16,966
Available-for-sale investments		14,683	14,683
Prepayments		53,328	59,413
Deferred tax assets		18,842	19,106
Total non-current assets		1,286,716	1,135,987
CURRENT ASSETS			
Inventories	10	213,348	205,000
Trade and bills receivables	11	219,582	279,691
Prepayments, deposits and other receivables		334,775	255,176
Financial assets at fair value through profit or loss		1,705,746	1,411,630
Pledged bank deposits		863,700	777,073
Cash and cash equivalents		1,197,904	1,801,405
Total current assets		4,535,055	4,729,975
CURRENT LIABILITIES			
Trade and bills payables	12	3,140,880	3,287,399
Other payables and accruals		328,193	285,242
Tax payable		88,799	72,751
Total current liabilities		3,557,872	3,645,392
Net current assets/(liabilities)		977,183	1,084,583
Total assets less current liabilities		2,263,899	2,220,570
Net assets		2,263,899	2,220,570
EQUITY			
Equity attributable to owners of the parent			
Share capital		188	188
Reserves		2,263,711	2,220,382
Total equity		2,263,899	2,220,570

NOTES TO CONSOLIDATED INTERIM STATEMENT

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 address 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 May 19, 2016 (the “**Listing**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) were 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 of the Company (the “**Directors**”), the ultimate controlling shareholders of the Company are Mr. Jinggui Dong and Ms. Jinhong 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. The functional currency of most of the group entities is Renminbi (“**RMB**”) as main operation of the group is located in the PRC. These financial statements are presented in 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 (collectively referred to as the “**Group**”) for the six months ended June 30, 2017. 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 condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated 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 Mainland China and over 90% of the Group's non-current assets and liabilities were located in Mainland China, 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 Reporting Period, no major customer information is presented in accordance with HKFRS 8 Operating Segments.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	Unaudited	
	For the six months ended June 30, 2017 RMB'000	For the six months ended June 30, 2016 RMB'000
Sale of goods	<u>3,254,454</u>	<u>2,937,686</u>

(b) Other income and gains, net

	Unaudited	
	For the six months ended June 30, 2017 RMB'000	For the six months ended June 30, 2016 RMB'000
Bank interest income	8,865	7,058
Government grants	40,296	12,344
Gains from financial assets at fair value through profit or loss	28,247	16,415
Net (loss)/gain on disposal of items of property, plant and equipment	(734)	885
Others	<u>9,030</u>	<u>1,603</u>
	<u>85,704</u>	<u>38,305</u>

5. PROFIT BEFORE TAX

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

	Unaudited	
	For the six months ended June 30, 2017 RMB'000	For the six months ended June 30, 2016 RMB'000
(a) Cost of sales		
Cost of inventories sold	2,760,581	2,307,494
(b) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	125,931	107,913
Pension scheme contributions (defined contribution scheme), social welfare and other welfare	21,100	22,471
	147,031	130,384
(c) Other items		
Depreciation of items of property, plant and equipment	39,581	31,606
Amortization of prepaid land lease payments	2,666	2,532
Amortization of intangible assets	2,755	1,490
Advertisement and business promotion expenses	97,649	183,515
Auditors' remuneration	1,210	1,500
Research and development costs*	55,091	65,839
Logistics expenses	31,474	23,985
Listing expenses	–	22,695
Operating lease expenses	7,265	3,861
Net gain on disposal of items of property, plant and equipment	734	(885)
Reversal of provision for impairment of trade receivables	–	(50)

* 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 RMB11,523,879 for the six months ended June 30, 2017 (the six months ended June 30, 2016: RMB12,817,000), which are also included in employee benefit expenses as disclosed in note 5(b) above.

6. FINANCE COSTS

	Unaudited	
	For the six months ended June 30, 2017 RMB'000	For the six months ended June 30, 2016 RMB'000
Interest on bank loans	–	134

7. INCOME TAX EXPENSE

	Unaudited	
	For the	For the
	six months ended	six months ended
	June 30, 2017	June 30, 2016
	RMB'000	RMB'000
Current Mainland China corporate income tax	44,261	49,148
Deferred tax	264	1,707
	<hr/>	<hr/>
Total tax charge for the period	44,525	50,855

8. DIVIDENDS

	Unaudited	
	For the	For the
	six months ended	six months ended
	June 30, 2017	June 30, 2016
	RMB'000	RMB'000
2016 Final dividend		
– HK4 cents per ordinary share	104,147	–

The Company proposed a final dividend of HK4 cents per ordinary share on March 10, 2017, the dividend has been paid to all shareholders of the Company on June 29, 2017.

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

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue, during the six months ended June 30, 2017 and June 30, 2016.

	Unaudited	
	For the	For the
	six months ended	six months ended
	June 30, 2017	June 30, 2016
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and dilutive earnings per share calculation	171,591	177,501

	Number of shares	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>3,000,000,000</u>	<u>2,302,708,791</u>
Effect of dilution-weighted average number of ordinary shares: Series A preferred shares	<u>–</u>	<u>147,401,099</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u>3,000,000,000</u>	<u>2,450,109,890</u>
	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Earnings per share		
Basic (RMB)	<u>0.06</u>	<u>0.08</u>
Diluted (RMB)	<u>0.06</u>	<u>0.07</u>

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended June 30, 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 connections with the Company's Global Offering on May 19, 2016 and 2,087,000,000 ordinary shares issued on June 30, 2016.

The weighted average number of ordinary shares used in the calculation of the diluted earnings per share for the six months ended June 30, 2016 is the weighted average number of ordinary shares in issue during the period, 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 or conversion of all dilutive potential ordinary shares into ordinary shares.

10. INVENTORIES

	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
Raw materials	<u>143,990</u>	133,932
Finished goods	<u>69,358</u>	<u>71,068</u>
	<u>213,348</u>	<u>205,000</u>

11. TRADE AND BILLS RECEIVABLES

	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
Trade receivables	211,188	280,667
Impairment	(2,306)	(2,306)
	208,882	278,361
Bills receivable	10,700	1,330
	219,582	279,691

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 aging analysis of trade receivables (net of impairment losses for bad and doubtful debts) at the end of the Reporting Period, based on invoice date, is as follows:

	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
Within 6 months	208,865	278,222
More than 6 months but less than 1 year	-	-
Over 1 year	17	139
	208,882	278,361

12. TRADE AND BILLS PAYABLES

	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
Trade payables	1,351,049	1,259,443
Bills payable	1,789,831	2,027,956
	<hr/>	<hr/>
Trade and bills payables	3,140,880	3,287,399
	<hr/>	<hr/>

The trade and bills payables are non-interest-bearing.

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:

	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
Within 3 months	2,347,059	1,729,643
3 to 6 months	743,618	1,461,274
6 to 12 months	22,249	58,214
12 to 24 months	27,893	20,077
Over 24 months	61	18,191
	<hr/>	<hr/>
	3,140,880	3,287,399
	<hr/>	<hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2017, the Group has been focused on solidifying and extending its market leadership position in the electric two-wheeled vehicle industry in the PRC by (i) expanding its product distribution network; (ii) adjusting its pricing strategies; and (iii) introducing new vehicle models with advanced performance characteristics. The Group aims to achieve customer loyalty by constant expansion across China and implementing flexible marketing strategies. As of June 30, 2017, the Group's extensive distribution network comprised approximately 1,782 distributors as well as their sub-distributors with over 10,120 points of sales, covering almost every province in China. Taking into consideration of the growing demand for electric two-wheeled vehicles in the second and third tier cities in the PRC and the purchasing power of target customers in these cities, the Group has also adjusted its pricing strategies for most of vehicle models to boost sales volume and capture additional market share.

As a result, the sales volume of electric two-wheeled vehicles increased by approximately 21.0% from 1,448,843 units for the six months ended June 30, 2016 to 1,752,601 units for the six months ended June 30, 2017. Revenue from the sales of electric two-wheeled vehicles and related accessories increased by 10.8% from approximately RMB2,937.7 million for the six months ended June 30, 2016 to approximately RMB3,254.5 million for the six months ended June 30, 2017. Nevertheless, due to the adjustment of pricing strategies, the average unit selling price of electric scooters and electric bicycles decreased from approximately RMB1,789 and RMB1,203, respectively, in the first half of 2016, respectively, to approximately RMB1,642 and RMB1,030, respectively, in the first half of 2017. As such, the Group's overall gross profit margin was 15.2% for the six months ended June 30, 2017, down by 6.3% as compared with the gross profit margin for the corresponding period in 2016.

Separately, the Group has continued to uphold its high-end product strategies. The Group introduced 18 new models of electric scooters and seven new models of electric bicycles, which include "New Energy+" ("新能量+") electric scooter series featuring energy-saving GTR motor, rechargeable lithium battery with longer life span and enhanced charger and controller and "Youth Vehicle" ("年青車") series featuring lightweight, modern and smart exterior design that were launched in June 2017. The Group believes that "New Energy+" and "Youth Vehicle" series will be well-received among target customers and will contribute significantly to the Group's revenue in the near future.

Stepping into the second half of 2017, the Group has already laid down the key pieces to carry out its strategies in further promoting "Yadea" brand and developing the Group's R&D and online sales channels. On the promoting "Yadea" brand side, the Group will continue to invest in marketing initiatives to drive heightened awareness and market recognition for the brand. On the R&D side, the Group will continue to pursue cooperation with selected strategic allies to enhance its capability for innovation, in particular, on the design of new vehicle models and new technology for core parts and components. On the online sales channel side, the Group plans to launch e-commerce sales platforms to provide customers with the convenience of viewing its product offerings and making online purchase.

Financial Review

Revenue

For the six months ended June 30, 2017, we recorded revenue of approximately RMB3,254.5 million, representing an increase of approximately 10.8% compared with the corresponding period in 2016 of approximately RMB2,937.7 million. The increase was primarily attributable to an increase in sales volumes of electric scooters, electric bicycles and related accessories.

Product Type	For the six months ended June 30, 2017			For the six months ended June 30, 2016		
	Revenue (RMB'000)	% of total	Volume '000 units	Revenue (RMB'000)	% of total	Volume '000 units
Electric scooters	1,523,740	46.8	928.1	1,604,763	54.6	896.9
Electric bicycles	848,991	26.1	824.5	664,080	22.6	551.9
Subtotal	<u>2,372,731</u>	<u>72.9</u>	<u>1,752.6</u>	<u>2,268,843</u>	<u>77.2</u>	<u>1,448.8</u>
Batteries and chargers	865,670	26.6	Batteries: 1,670.1 chargers: 981.0	630,855	21.5	Batteries: 1,327.6 chargers: 905.3
Electric two-wheeled vehicle parts	16,053	0.5	N/A	37,988	1.3	N/A
Total	<u>3,254,454</u>	<u>100</u>	<u>-</u>	<u>2,937,686</u>	<u>100</u>	<u>-</u>

Despite an increase in the sales volume of electric scooters by approximately 3.5% from 896,928 units for the six months ended June 30, 2016 to 928,122 units for the six months ended June 30, 2017, revenue from the sales of electric scooters decreased by approximately 5.1% from approximately RMB1,604.8 million for the six months ended June 30, 2016 to approximately RMB1,523.7 million for the six months ended June 30, 2017. Such decrease was attributable to a decrease in the average unit selling price of electric scooters from approximately RMB1,789 for the six months ended June 30, 2016 to approximately RMB1,642 for the six months ended June 30, 2017, as the Group adjusted its pricing strategies for most of vehicle models to boost sales volume and capture additional market share.

As for electric bicycles, although the sales volume increased by approximately 49.4% from 551,915 units for the six months ended June 30, 2016 to 824,479 units for the six months ended June 30, 2017, the average unit selling price of electric bicycles decreased from approximately RMB1,203 for the six months ended June 30, 2016 to approximately RMB1,030 for the six months ended June 30, 2017. As a result, the revenue generated from the sales of electric bicycles increased by approximately 27.8% from approximately RMB664.1 million for the six months ended June 30, 2016 to approximately RMB849.0 million for the six months ended June 30, 2017.

Cost of sales

Cost of sales increased by approximately 19.6% from approximately RMB2,307.5 million for the six months ended June 30, 2016 to approximately RMB2,760.6 million for the six months ended June 30, 2017, which is in line with the increase in our sales volumes of electric scooters, electric bicycles and related accessories.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by approximately 21.6% from approximately RMB630.2 million for the six months ended June 30, 2016 to approximately RMB493.9 million for the six months ended June 30, 2017.

Gross profit margin was 15.2% for the six months ended June 30, 2017, lower than the gross profit margin of 21.5% for the six months ended June 30, 2016, mainly attributable to a decrease in the average unit selling prices of electric scooters and electric bicycles as the Group adjusted its pricing strategies for most vehicle models to boost sales volume and capture additional market share.

Other income and gains, net

Other income and gains, net increased by approximately 123.7% from approximately RMB38.3 million for the six months ended June 30, 2016 to approximately RMB85.7 million for the six months ended June 30, 2017. Such increase was primarily due to (i) an increase of approximately RMB28.0 million in discretionary government grants; (ii) an increase of approximately RMB11.8 million in gains from the wealth management products included in the financial assets at fair value through profit or loss; and (iii) an increase of approximately RMB1.8 million in bank interest income.

Profit for the Reporting Period

As a result of the cumulative effect of the foregoing, the Group's profit decreased by approximately 3.3% from approximately RMB177.5 million for the six months ended June 30, 2016 to approximately RMB171.6 million for the six months ended June 30, 2017.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at June 30, 2017, cash and cash equivalents amounted to approximately RMB1,197.9 million, representing a decrease of approximately 33.5% from approximately RMB1,801.4 million as at December 31, 2016. Such decrease was primarily due to (i) the payment of a final dividend of 4.0 HK cents per ordinary share for the year ended 31 December 2016 in the amount of HK\$120 million; (ii) a loan in the principal amount of HK\$210 million to Tai United Holdings Limited; and (iii) an increase of approximately RMB300 million in investment in wealth management products.

The Group's primary uses of cash were payment for marketing and advertising expense, funding of working capital and daily operating expenses. The Group financed its liquidity requirements through cash flows generated from its operating activities.

Net cash used in operating activities was approximately RMB30.9 million for the six months ended June 30, 2017, as compared with net cash used in operating activities of approximately RMB90.6 million for the six months ended June 30, 2016. Net cash used in investing activities was approximately RMB444.3 million for the six months ended June 30, 2017, as compared with net cash generated from investing activities of approximately RMB288.5 million for the six months ended June 30, 2016. Net cash used in financing activities was approximately RMB104.1 million, as compared with net cash generated from financing activities of approximately RMB963.7 million for the six months ended June 30, 2016.

Taking into account the Group's existing cash and cash equivalents, anticipated cash flow from its operating activities and the net proceeds from the initial public offering, the Board believes that the Group's liquidity needs will be satisfied.

Net current assets

As at June 30, 2017, the Group had net current assets of approximately RMB977.2 million, as compared with net current assets of approximately RMB1,084.6 million as at December 31, 2016.

Inventory

Inventory primarily consisted of raw materials and finished goods. Inventory increased by approximately 4.1% from approximately RMB205.0 million as at December 31, 2016 to approximately RMB213.3 million as at June 30, 2017, primarily due to an increase of raw materials reserved for future production in light of the potential increase in prices of raw materials in the second half of 2017. The average inventory turnover days for the six months ended June 30, 2017 decreased to 13.6 days from 14.2 days for the corresponding period in 2016.

Gearing ratio

Gearing ratio (as defined as total interest-bearing bank borrowings divided by total equity as at the respective period-end dates and multiplied by 100%) as at June 30, 2017 was approximately 0% (December 31, 2016: 0.7%).

Human resources

As at June 30, 2017, the Group had 3,160 employees (December 31, 2016: 3,131). Total staff costs for the Reporting Period, excluding the Directors' remuneration, were approximately RMB145.8 million (for the six months ended June 30, 2016: approximately RMB129.3 million). The Group will regularly review its remuneration policy and wages and benefits to its employees with reference to market practice and the performance of individual employee.

Contingent liabilities

As at June 30, 2017, 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 bank credit which was used to settle trade payables in its daily business operation. As at June 30, 2017, the pledged assets of the Group amounted to approximately RMB624.8 million.

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

Save as disclosed herein, during the six months ended June 30, 2017, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group.

EVENTS AFTER REPORTING PERIOD

The Group does not have any material subsequent event after the Reporting Period.

USE OF NET PROCEEDS FROM LISTING

Net proceeds from the listing of the Company (after deducting underwriting fee and relevant expenses) amounted to approximately HK\$1,074.0 million. Such amounts are intended to be used according to the allocation set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated May 9, 2016. As at June 30, 2017, approximately RMB531.7 million of the proceeds had been utilised.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH 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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has fully complied with the code provisions set out in the CG Code throughout the Reporting Period. 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**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code during the six months ended June 30, 2017.

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.

INTERIM DIVIDEND

The Board resolved not to declare any payment of interim dividend for the six months ended June 30, 2017.

AUDIT COMMITTEE REVIEW

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

The Audit Committee and the Company’s management have considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting, including the review of the unaudited condensed consolidated interim financial statements of the Group for the Reporting Period. No prior year adjustments will be made to the consolidated financial statements of the Group.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yadea.com.cn). The interim report of the Company for the Reporting Period will be dispatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, August 29, 2017

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