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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 2017

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 audited annual results of the Company and its subsidiaries (collectively, the “**Group**”, “**our Group**”, “**we**” or “**us**”) for the year ended 31 December 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 17.8% to RMB7,850.4 million, as compared with the corresponding period in 2016.
- Gross profit decreased by approximately 13.6% to RMB1,168.4 million, as compared with the corresponding period in 2016.
- Profit attributable to ordinary equity holders of the parent decreased by approximately 5.9% to RMB404.7 million, as compared with the corresponding period in 2016.
- Basic earnings per share was RMB13.5 cents, down by RMB2.7 cents, as compared with the corresponding period in 2016.
- Proposed a final dividend of 4.0 HK cents per ordinary share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017

		Year ended 31 December	
	<i>Notes</i>	2017	2016
		RMB'000	RMB'000
Revenue	5(a)	7,850,436	6,662,139
Cost of sales		(6,682,040)	(5,309,375)
		<hr/>	<hr/>
Gross profit		1,168,396	1,352,764
Other income and gains, net	5(b)	181,594	81,027
Selling and distribution expenses		(366,930)	(451,191)
Administrative expenses		(321,124)	(264,701)
Research and development costs		(182,608)	(163,267)
Finance costs	6	–	(216)
		<hr/>	<hr/>
Profit before tax	7	479,328	554,416
Income tax expense	8	(74,326)	(124,287)
		<hr/>	<hr/>
PROFIT FOR THE YEAR		405,002	430,129
		<hr/>	<hr/>
Profit for the year attributable to:			
Owners of the Company		404,698	430,129
Non-controlling interests		304	–
		<hr/>	<hr/>
		405,002	430,129
		<hr/>	<hr/>
Earnings per share			
Basic (cents per share)	10	13.5	16.2
		<hr/>	<hr/>
Diluted (cents per share)	10	N/A	15.8
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
		(restated)
PROFIT FOR THE YEAR	405,002	430,129
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	(108,993)	108,921
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	59,441	(55,369)
Other comprehensive (expense)/income for the year, net of income tax	(49,552)	53,552
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	355,450	483,681
Total comprehensive income for the year attributable to:		
Owners of the Company	355,146	483,681
Non-controlling interests	304	–
	355,450	483,681

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,081,115	732,980
Prepaid land lease payments		285,592	292,839
Intangible assets		15,938	16,966
Available-for-sale investments		14,068	14,683
Prepayments		75,155	59,413
Deferred tax assets		15,275	19,106
Total non-current assets		1,487,143	1,135,987
CURRENT ASSETS			
Inventories	<i>11</i>	338,143	205,000
Trade and bills receivables	<i>12</i>	57,386	279,691
Prepayments, deposits and other receivables		368,706	255,176
Receivable from a third party		175,541	–
Wealth management products		2,700,394	1,411,630
Pledged bank deposits		889,537	777,073
Cash and cash equivalents		988,272	1,801,405
Total current assets		5,517,979	4,729,975
CURRENT LIABILITIES			
Trade and bills payables	<i>13</i>	4,032,665	3,287,399
Other payables and accruals		452,217	285,242
Tax payable		43,136	72,751
Total current liabilities		4,528,018	3,645,392
NET CURRENT ASSETS		989,961	1,084,583
NET ASSETS		2,477,104	2,220,570
Capital and reserve			
Share capital		188	188
Share premium and reserve		2,470,612	2,220,382
Equity attributable to owners of the Company		2,470,800	2,220,570
Non-controlling interests		6,304	–
Total equity		2,477,104	2,220,570

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 19 May 2016.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are 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 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.

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

The previously reported exchange differences on translation of foreign operations of RMB53,552,000 for the year ended 31 December 2016 has included an exchange difference of RMB108,921,000 on translation of the Company's financial statements from functional currency to presentation currency, which will not be reclassified subsequently to profit or loss. For the comparative purpose of these financial statements, the above exchange differences have been separately presented under "Other Comprehensive Income".

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

Amendments To HKFRs That Are Mandatorily Effective For The Current Year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4. 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 Major Customers

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*.

5. 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:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Sale of goods	<u>7,850,436</u>	<u>6,662,139</u>

(b) Other income and gains, net:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Other income		
Government grants (<i>note</i>)	64,801	23,594
Bank interest income	25,983	13,414
Others	<u>5,281</u>	<u>6,004</u>
	96,065	43,012
Other gains		
Gains from financial assets at fair value through profit or loss	85,247	37,161
Net gain on disposal of items of property, plant and equipment	<u>282</u>	<u>854</u>
	<u>181,594</u>	<u>81,027</u>

Note: Government grants are mainly money received from local government for achieving certain specific targets including sales, R&D expense etc. the above amount in 2017 include the recognition of RMB40,996,000 from deferred government subsidies as the Company met the conditions in 2017.

6. FINANCE COSTS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest on bank loans	<u>–</u>	<u>216</u>

7. PROFIT BEFORE TAX

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
(a) Cost of sales:		
Cost of inventories sold	<u>6,682,040</u>	<u>5,309,375</u>
(b) Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	349,878	245,561
Pension scheme contributions (defined contribution scheme), social welfare and other welfare	<u>49,184</u>	<u>41,157</u>
	<u>399,062</u>	<u>286,718</u>
(c) Other items:		
Depreciation of property, plant and equipment	75,731	63,123
Amortization of prepaid land lease payments	7,246	5,276
Amortization of intangible assets	5,720	3,877
Auditor's remuneration	2,700	3,000
Research and development costs (<i>note</i>)	182,608	163,267
Operating lease expenses	13,821	7,122
Provision for impairment of trade receivables	<u>-</u>	<u>354</u>

Note: Research and development costs included wages and salaries amounting to RMB34,847,038 for the year ended 31 December 2017 (2016: RMB29,300,000), which are also included in employee benefit expenses as disclosed in note 7(b) above.

8. INCOME TAX

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current – the PRC		
Enterprise income tax for the year	89,274	126,926
Over provision in prior year	(18,779)	(1,735)
Deferred tax	<u>3,831</u>	<u>(904)</u>
Total tax charge for the year	<u>74,326</u>	<u>124,287</u>

9. DIVIDENDS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognized as distribution during the year:		
2016 final dividend – 4.0 HK cents per ordinary share	<u>104,916</u>	–
	<u>104,916</u>	–

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of 4.0 HK cents (2016 final dividend in respect of the year ended 31 December 2016 of 4.0 HK cents) per ordinary share in an aggregate amount of HK\$120,000,000 equivalent to RMB96,610,000 (2016: HK\$120,000,000 equivalent to RMB104,916,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

10. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to owners of the Company is based on following data:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Earnings		
Profit of the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>404,698</u>	<u>430,129</u>
	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>3,000,000,000</u>	<u>2,653,259,563</u>
Effect of dilution potential ordinary shares:		
Series A preferred shares	<u>N/A</u>	<u>73,297,814</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>N/A</u>	<u>2,726,557,377</u>

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, 2,000,000,000 ordinary shares, and the 87,000,000 shares in connection with the capitalization issue.

11. INVENTORIES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Raw materials	120,713	133,932
Finished goods	<u>217,430</u>	<u>71,068</u>
	<u>338,143</u>	<u>205,000</u>

12. TRADE AND BILLS RECEIVABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade receivables	55,343	280,667
Less: allowance for doubtful debts	<u>(2,306)</u>	<u>(2,306)</u>
	53,037	278,361
Bills receivable	<u>4,349</u>	<u>1,330</u>
	<u>57,386</u>	<u>279,691</u>

Full payment is typically required from customers of the Group before delivery of goods, except for certain customers with credit period. The credit terms generally vary from 15 days to 180 days from the date of billing.

The aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 6 months	53,037	278,222
Over 1 year	<u>–</u>	<u>139</u>
	<u>53,037</u>	<u>278,361</u>

13. TRADE AND BILLS PAYABLES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade payables	1,334,282	1,259,443
Bills payable	<u>2,698,383</u>	<u>2,027,956</u>
	<u>4,032,665</u>	<u>3,287,399</u>

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 3 months	387,776	366,026
3 to 6 months	844,290	796,934
6 to 12 months	61,673	58,214
12 to 24 months	21,270	20,077
Over 24 months	<u>19,273</u>	<u>18,191</u>
	<u>1,334,282</u>	<u>1,259,443</u>

Trade payables are non-interest-bearing and have an average credit term of 15 to 90 days, except certain warranty retention which is payable in 24 months.

MANAGEMENT DISCUSSION AND ANALYSIS

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. Over the course of 15 years, we have successfully established “Yadea” as a premium brand of electric two-wheeled vehicles in the PRC. Under “Yadea” brand, we offer a wide range of electric scooters and electric bicycles with diverse designs, styles and functionalities catering to the needs of a broad customer base. Our domestic network covered almost every administrative region of the PRC and consisted of 1,825 distributors as well as their sub-distributors with over 9,190 points of sales as at 31 December 2017. Internationally, we made our sale in over 60 countries through our international distribution network.

In 2017, we continued to expand our business and solidify our leading position in the high-end electric two-wheeled vehicle market in the PRC. To boost sales volume and capture additional market share in the PRC, we adjusted our pricing strategies by offering more discounts to our distributors for certain products as part of promotions and made downward adjustments to suggested retail prices of certain products. As a result, the total sales volume of electric scooters and electric bicycles increased from 3,319,582 units in 2016 to 4,060,030 units in 2017. Revenue from the sales of electric two-wheeled vehicles and related accessories increased by approximately 17.8% from RMB6,662.1 million in 2016 to RMB7,850.4 million in 2017, despite the decrease of average selling prices of both product types. The average selling price of electric scooters decreased from RMB1,766 in 2016 to RMB1,675 in 2017 and electric bicycles decreased from RMB1,181 in 2016 to RMB1,135 in 2017. As the sales volume increased and the cost of certain models of electric scooters and electric bicycles also increased due to the upgrade of raw materials, our cost of sales also increased by approximately 25.9% from RMB5,309.4 million in 2016 to RMB6,682.0 million in 2017. Accordingly, our Group’s overall gross profit margin decreased by approximately 5.9% from approximately 20.3% in 2016 to approximately 14.9% in 2017.

As a step to promote “Yadea” brand internationally, we have committed to sponsor the quadrennial international football tournament 2018 FIFA World Cup, which will be held from 16 June 2018 to 15 July 2018 in Russia. As a regional supporter of the 2018 FIFA World Cup™ for Asia, we will receive a range of rights, including LED board exposure during the event, access to tickets and brand association rights for Asia region. The cooperation with FIFA is a new benchmark for our Group’s brand development and it affirms the status of “Yadea” brand as a world class brand. “Yadea” is also named as the “Asia Most Investment Value Brand” at the 11th Asia Brand (Macao) Ceremony in 2017.

In the area of research and development, we continued to invest to enhance our capability for innovation, in particular, on the design of new products and new technology for core parts and components. In 2017, we hired 303 research and development professionals with various product design background for electric two wheeled vehicles and increased our research and development investment by 11.8%. We believe this will significantly expand our existing product portfolio and enhance our market competitiveness in a long-run.

Outlook

Building on our accomplishments in 2017, our top priority will continue to be expanding our market share in the PRC and further promoting “Yadea” brand. To capture additional market share, we will focus on introducing new models of electric scooters and electric bicycles with advanced performance characteristics that are appealing to customers in different income groups and age groups in the PRC, at competitive prices. We plan to more actively expand our international sales by deepening penetration in our existing international markets and entering new international markets which have high growth potential, in particular Southeast Asia market.

On the sales and marketing front, in addition to expanding our distribution network off-line, we plan to launch e-commerce sales platforms to provide customers with the convenience of viewing its product offerings and making online purchase. We will continue to invest in marketing initiatives to drive heightened awareness and market recognition for “Yadea” brand domestically and internationally. We will relocate our headquarters, research, development and design center and sales and marketing center to Shanghai at the end of 2018. By establishing the headquarters in Shanghai, we hope to attract talented professionals and facilitate our ambition to further capture the growth in demand for high-end electric two-wheeled vehicles and to further promote “Yadea” brand at the international level.

Financial Review

Revenue

The Group recorded revenue of RMB7,850.4 million, representing an increase of approximately 17.8% from RMB6,662.1 million in 2016, primarily due to the increase in sales volume of electric scooters and electric bicycles.

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

Product Type	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Revenue (RMB'000)	% of total	Volume '000 units	Revenue (RMB'000)	% of total	Volume '000 units
Electric scooters	3,850,366	49.0	2,299.0	3,584,084	53.8	2,029.1
Electric bicycles	1,998,207	25.5	1,761.0	1,523,745	22.9	1,290.5
Subtotal	5,848,573	74.5	4,060.0	5,107,829	76.7	3,319.6
Batteries and chargers	1,935,822	24.7	Batteries: 3,953.8 Charges: 2,643.0	1,498,248	22.5	Batteries: 3,059.2 Charges: 2,090.1
Electric two-wheeled vehicle parts	66,041	0.8	N/A	56,062	0.8	N/A
Total	7,850,436	100.0	10,656.8	6,662,139	100.0	8,468.9

Revenue from the sales of electric scooters increased by approximately 7.4%, from RMB3,584.1 million in 2016 to RMB3,850.4 million in 2017, and from the sales of electric bicycles increased by approximately 31.1%, from RMB1,523.8 million in 2016 to RMB1,998.2 million in 2017. The increases were due to the increased sales volume of electric scooters and electric bicycles, despite the decreases of the average selling prices of both product types as the Group adjusted its pricing strategies for most of the vehicle models to boost sales volume and capture additional market share. The average selling prices of the electric scooters decreased from RMB1,766 in 2016 to RMB1,675 in 2017, and that of the electric bicycles decreased from RMB1,181 in 2016 to RMB1,135 in 2017.

Cost of sales

Cost of sales of the Group increased by approximately 25.9% from RMB5,309.4 million in 2016 to RMB6,682.0 million in 2017. The increase was mainly due to (i) the increase in the sales volume of electric two-wheeled vehicles and (ii) the upgrade of raw materials for certain models of electric scooters and electric bicycles.

Gross profit and gross profit margin

As a result of the foregoing, gross profit for the Group decreased by approximately 13.6% from RMB1,352.8 million in 2016 to RMB1,168.4 million in 2017, and the gross profit margin decreased by 5.4% from approximately 20.3% in 2016 to approximately 14.9% in 2017, primarily due to the combined effect of the decrease in the average selling prices of electric scooters and electric bicycles and the increase in cost of sales.

Other income and gains

Other income and gains of the Group increased by approximately 124.1% from RMB81.0 million in 2016 to RMB181.6 million in 2017. The increase was mainly attributable to the increased government grants received from local government for achieving certain specific targets including sales, research and development expenses etc. Such government grants had included certain conditions, which were fulfilled by the Company in 2017, and therefore these grants were recognised from deferred revenue.

Administrative expenses

The Group's administrative expenses increased by approximately 21.3% from RMB264.7 million in 2016 to RMB321.1 million in 2017. The increase was mainly due to the increase in management salaries and office expenses.

Profit for the year

As a result of the cumulative effect of the foregoing, profit of the Group decreased by approximately 5.8% from RMB430.1 million in 2016 to RMB405.0 million in 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow

As at 31 December 2017, the Group's cash and cash equivalents amounted to RMB988.3 million, representing a decrease of approximately 45.1% from RMB1,801.4 million as at 31 December 2016.

The Group's primary uses of cash were payment for acquiring a property in Shanghai to be used as our new headquarter and purchasing certain wealth management products. The Group financed its liquidity requirements through cash flows generated from its operating activities.

Net cash generated from operating activities was RMB1,103.6 million in 2017, as compared with net cash generated from operating activities of RMB752.0 million in 2016. Net cash used in investing activities was RMB1,768.9 million and RMB732.7 million in 2017 and 2016, respectively. Net cash used in financing activities in 2017 was RMB98.9 million, as compared with net cash generated from financing activities of RMB941.8 million in 2016.

Net current assets

As at 31 December 2017, the Group had net current assets of RMB990.0 million, as compared with net current liabilities of RMB1,084.6 million as at 31 December 2016.

Inventories

The Group's inventories consist of raw materials and finished goods. The Group's inventories increased by approximately 64.9% from RMB205.0 million as at 31 December 2016 to RMB338.1 million as at 31 December 2017, primarily due to the increase in finished goods reserve in view of higher sales target in 2018. The average inventory turnover days in 2017 increased to 14.8 days from 11.8 days in 2016.

Trade and bills receivables

Trade and bills receivables decreased from RMB279.7 million as at 31 December 2016 to RMB57.4 million as at 31 December 2017, primarily due to the shorter credit terms offered to certain distributors which expedited the collection of trade receivables.

Wealth management products

The wealth management products held by the Group mainly consist of principal-protected products with relatively low level of risk purchased from the commercial banks in the PRC. The aggregated value of the wealth management products increased by approximately 91.3% from RMB1,411.6 million as at 31 December 2016 to RMB2,700.4 million as at 31 December 2017. Such increase was primarily due to the increased purchase of wealth management products with the Group's surplus cash received from its business operations, with a view to achieving stable yields whilst maintaining liquidity and a low level of risk.

Trade and bills payables

Trade and bills payables increased from RMB3,287.4 million as at 31 December 2016 to RMB4,032.7 million as at 31 December 2017, primarily due to the increase in purchase volume of the raw materials, which was in line with the increase in the Group's sales volume of electric scooters and electric bicycles in 2017.

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 and wealth management product dominated in foreign currencies.

Human resources

As at 31 December 2017, the Group had 3,539 employees, as compared with 3,131 employees as at 31 December 2016 as the Group hired additional production employees and research and development employees. Total staff costs in 2017, including labour outsourcing cost but excluding the Directors' remunerations, were RMB394.5 million, representing an increase of approximately 24.5% from RMB316.9 million in 2016. 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 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 bills payable which were used to finance daily business operation. As at 31 December 2017, the pledged assets of the Group amounted to RMB2,440.2 million.

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

On 23 November 2017, Yadea Technology Group Co., Ltd. (雅迪科技集團有限公司) (the "**Purchaser**"), a direct wholly-owned subsidiary of the Company, entered into each of the share transfer agreement, the shareholder loan transfer agreement and the sale and purchase framework agreement with PingAn Trust Co., Ltd. (平安信托有限責任公司) (the "**Vendor**"), in relation to acquisition (the "**Acquisition**") of entire issued share capital and the shareholder loan of Shanghai Muhong Investment Management Co., Ltd. (the "**Target**") at a total cash consideration of RMB370,975,976.84.

The total consideration was agreed between the Purchaser and the Vendor after arm's length negotiation after taking into account (i) the prevailing market prices of properties of similar nature available nearby; and (ii) the current Shanghai property market sentiment. The total consideration will be funded by the Company's internal resources.

The Target is a company established in the PRC with limited liability and is principally engaged in property management in Shanghai, the PRC. The principal asset of the Target is the property located at Building No. 7, Hongqiao Sincere Centre, No. 5, Alley 187, Xinghong Road, Shanghai, the PRC. The property was completed in August 2016 and has five floors with a total gross floor area of 8,526.27 square metres. The property will be used as the headquarters, research, development and design centre and sales and marketing centre of the Company. The property is currently not leased out.

As certain applicable percentage ratios in respect of the Acquisition calculated under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") are more than 5% but all of the relevant percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group in 2017.

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

For the year ended 31 December 2017, 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 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2017, 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 year ended 31 December 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.

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 2017 (for the year ended 31 December 2016: 4.0 HK cents per ordinary share). The final dividend is subject to the approval of the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting of the Company (the “**AGM**”) and the final dividend will be paid on Tuesday, 3 July 2018 to the Shareholders whose names appear on the register of members of the Company on Friday, 15 June 2018 (record date).

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on Wednesday, 6 June 2018. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the members’ eligibility to attend and vote at the AGM, the Company’s register of members will be closed during the following period:

Latest time to lodge transfers documents for registration 4:30 p.m. on Thursday,
31 May 2018

Closure of register of members Friday, 1 June 2018 to
Wednesday, 6 June 2018
(both days inclusive)

For determining the members’ entitlement of the proposed final dividend, the register of members of the Company will be closed during the following period:

Latest time to lodge transfers documents for registration. 4:30 p.m. on Tuesday,
12 June 2018

Closure of register of members Wednesday, 13 June 2018 to
Friday, 15 June 2018
(both days inclusive)

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

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 audited financial statements of the Group for the year ended 31 December 2017. The financial information, including the comparative figures has been reviewed by the Audit Committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.yadea.com.cn>). The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

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

Hong Kong, 22 March 2018

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.