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, 2016

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, 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 6.7% to approximately RMB2,937.7 million as compared with the corresponding period in 2015.
- Gross profit increased by approximately 23.3% to approximately RMB630.2 million as compared with the corresponding period in 2015.
- Profit attributable to ordinary equity holders of the parent increased by approximately 23.4% to approximately RMB177.5 million as compared with the corresponding period in 2015.
- Basic and diluted earnings per share increased slightly as compared with the corresponding period in 2015.

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	**For the six months ended June 30, 2016** ***RMB'000*** **(Unaudited)**	For the six months ended June 30, 2015 *RMB'000* (Unaudited)
REVENUE	*4(a)*	**2,937,686**	2,752,890
Cost of sales	*5(a)*	**(2,307,494)**	(2,241,735)
Gross profit		**630,192**	511,155
Other income and gains, net	*4(b)*	**38,305**	30,287
Selling and distribution expenses		**(238,437)**	(213,454)
Administrative expenses		**(201,570)**	(141,332)
Finance costs	*6*	**(134)**	–
Profit before tax	*5*	**228,356**	186,656
Income tax expense	*7*	**(50,855)**	(42,812)
Profit for the period		**177,501**	143,844
Profit for the period attributable to:			
Owners of the parent		**177,501**	143,844
Earnings per share attributable to ordinary equity holders of the parent:			
Basic			
– For profit for the period (RMB)	*9*	**0.08**	0.07
Diluted			
– For profit for the period (RMB)	*9*	**0.07**	0.06

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30, 2016 *RMB'000* **(Unaudited)**	For the six months ended June 30, 2015 *RMB'000* (Unaudited)
PROFIT FOR THE PERIOD	**177,501**	143,844
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**12,642**	390
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**12,642**	390
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**12,642**	390
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**190,143**	144,234
Attributable to:		
Owners of the parent	**190,143**	144,234

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	**As at June 30, 2016** *RMB'000* **(Unaudited)**	As at December 31, 2015 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**691,304**	679,709
Prepaid land lease payment		**218,080**	220,612
Intangible assets		**16,906**	14,162
Available-for-sale investments		**8,389**	8,223
Prepayments		**82,647**	84,600
Deferred tax assets		**16,495**	18,202
Total non-current assets		**1,033,821**	1,025,508
CURRENT ASSETS			
Inventories	*10*	**222,169**	141,491
Trade and bill receivables	*11*	**272,601**	183,225
Prepayments, deposits and other receivables		**257,698**	212,097
Financial assets at fair value through profit or loss		**542,252**	861,700
Pledged bank deposits		**702,132**	779,056
Cash and cash equivalents		**1,961,101**	786,691
Total current assets		**3,957,953**	2,964,260

	Note	As at June 30, 2016 RMB'000 (Unaudited)	As at December 31, 2015 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*12*	**2,699,777**	2,880,431
Other payables and accruals		**274,460**	256,740
Interest-bearing bank borrowings		**13,259**	12,997
Tax payable		**55,086**	35,603
Total current liabilities		**3,042,582**	3,185,771
Net current assets/(liabilities)		**915,371**	(221,511)
Total assets less current liabilities		**1,949,192**	803,997
NON-CURRENT LIABILITIES			
Other payables		**22,160**	22,160
Net assets		**1,927,032**	781,837
EQUITY			
Equity attributable to owners of the parent			
Share capital		**188**	135
Reserves		**1,926,844**	781,702
Total equity		**1,927,032**	781,837

1. GENERAL 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 May 19, 2016.

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**").

The condensed consolidated interim financial statements were presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated. These condensed consolidated interim financial statements were approved for issue on August 15, 2016. These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended June 30, 2016 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of the new and revised standards and interpretation as of January 1, 2016, noted below.

New and amended standards adopted by the Group

The following new standard and amendment to standards are mandatory for the first time for the financial year beginning January 1, 2016:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Annual Improvements 2012-2014 Cycle	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. 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 identifiable 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 none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Reporting Period, no segment information about major customers is presented in accordance with HKFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	For the six months ended June 30, 2016 ***RMB'000*** **(Unaudited)**	For the six months ended June 30, 2015 *RMB'000* (Unaudited)
Sales of goods	**2,937,686**	2,752,890

(b) Other income and gains, net

	For the six months ended June 30, 2016 ***RMB'000*** **(Unaudited)**	For the six months ended June 30, 2015 *RMB'000* (Unaudited)
Bank interest income	**7,058**	9,972
Government grants	**12,344**	2,583
Gains from financial assets at fair value through profit or loss	**16,415**	14,079
Net gain on disposal of items of property, plant and equipment	**885**	289
Fair value gain from derivative financial instruments	**–**	1,294
Others	**1,603**	2,070
	38,305	30,287

5. PROFIT BEFORE TAX

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

	For the six months ended June 30, 2016 *RMB'000* **(Unaudited)**	For the six months ended June 30, 2015 *RMB'000* (Unaudited)
(a) **Cost of sales:**		
Cost of inventories sold	**2,307,494**	2,241,735
(b) **Employee benefit expense (including directors' and chief executive's remuneration):**		
Wages and salaries	**107,913**	115,810
Pension scheme contributions (defined contribution scheme), social welfare and other welfare	**22,471**	23,338
	130,384	139,148
(c) **Other items:**		
Depreciation of items of property, plant and equipment	**31,606**	24,842
Amortization of prepaid land lease payments	**2,532**	2,162
Amortization of intangible assets	**1,490**	905
Advertisement and business promotion expenses	**183,515**	145,472
Auditors' remuneration	**1,500**	436
Research and development costs*	**65,839**	43,775
Logistics expenses	**23,985**	26,097
Listing expenses	**22,695**	4,191
Operating lease expenses	**3,861**	4,133
Net gain on disposal of items of property, plant and equipment	**(885)**	(289)
Reversal of provision for impairment of trade receivables	**(50)**	(624)

* Research and development costs are included in "administrative expenses" in the consolidated interim statement of profit or loss. Research and development costs included wages and salaries amounting to RMB12,817,000 for the six months ended June 30, 2016 (the six months ended June 30, 2015: RMB10,635,000), which are also included in employee benefit expenses disclosed in note 5(b) above.

6. FINANCE COSTS

	For the six months ended June 30, 2016 *RMB'000* **(Unaudited)**	For the six months ended June 30, 2015 *RMB'000* (Unaudited)
Interest on bank loans	**134**	–

7. INCOME TAX EXPENSE

	For the six months ended June 30, 2016 *RMB'000* (Unaudited)	For the six months ended June 30, 2015 *RMB'000* (Unaudited)
Current PRC corporate income tax	**49,148**	48,281
Deferred tax	**1,707**	(5,469)
Total tax charge for the period	**50,855**	42,812

8. DIVIDENDS

The Directors of the Company proposed not to declare any interim dividend for the six months ended June 30, 2016.

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, 2016 and June 30, 2015.

	For the six months ended June 30, 2016 *RMB'000* (Unaudited)	For the six months ended June 30, 2015 *RMB'000* (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and dilutive earnings per share calculation	**177,501**	143,844

	Number of shares	
	For the six months ended June 30, 2016	For the six months ended June 30, 2015
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,302,708,791**	2,087,000,000
Effect of dilution-weighted average number of ordinary shares:		
Series A preferred shares	**147,401,099**	193,000,000
Weighted average number of ordinary shares used in diluted earnings per share calculation	**2,450,109,890**	2,280,000,000

	For the six months ended June 30, 2016 *RMB* (Unaudited)	For the six months ended June 30, 2015 *RMB* (Unaudited)
Earnings per share		
Basic	**0.08**	0.07
Diluted	**0.07**	0.06

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended June 30, 2015 included 2,000,000,000 ordinary shares, and 87,000,000 shares in connections with the capitalization issue, which were deemed to have been issued as of the beginning of the period.

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 the aforesaid 2,087,000,000 ordinary shares.

The weighted average number of ordinary shares used in the calculation of the diluted earnings per share 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

	June 30, 2016 ***RMB'000*** **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
Raw materials	**166,691**	101,301
Finished goods	**55,478**	40,190
	222,169	141,491

11. TRADE AND BILLS RECEIVABLES

	June 30, 2016 ***RMB'000*** **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
Trade receivables	**270,426**	181,799
Impairment	**(1,902)**	(1,952)
	268,524	179,847
Bills receivable	**4,077**	3,378
	272,601	183,225

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

	June 30, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**266,758**	177,456
More than 6 months but less than a year	**866**	–
Over 1 year	**900**	2,391
	268,524	179,847

12. TRADE AND BILLS PAYABLES

	June 30, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**1,317,076**	940,537
Bills payable	**1,382,701**	1,939,894
Trade and bills payables	**2,699,777**	2,880,431

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:

	June 30, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**2,109,262**	1,651,079
3 to 6 months	**493,844**	1,180,176
6 to 12 months	**60,813**	21,905
12 to 24 months	**23,776**	23,930
Over 24 months	**12,082**	3,341
	2,699,777	2,880,431

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is 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 Group sells its products nationwide through its extensive distribution network in China, which consisted of over 1,742 distributors as well as their sub-distributors as of June 30, 2016. It also has a broad international customer base covering the sales in over 50 countries. In the first half of 2016, the Group continued to solidify and expand its share in the Chinese high-end electric two-wheeled vehicle market by continually advancing the technology and design of its products and investing significant amounts in research and development. The Group introduced 18 new models of electric scooters and 18 new models of electric bicycles and upgraded most of the existing models of electric two-wheeled vehicles in the first half of 2016, which allowed the Group to obtain price premiums and achieved higher gross profit margin.

Revenue from the sales of electric two-wheeled vehicles and related accessories increased by 6.7% from approximately RMB2,752.9 million for the six months ended June 30, 2015 to approximately RMB2,937.7 million for the six months ended June 30, 2016 mainly due to the increases in both the average selling prices and the sales volume of electric scooters and electric bicycles. The sales volume of electric two-wheeled vehicles increased by approximately 3.3% from 1,402,211 units for the six months ended June 30, 2015 to 1,448,843 units for the six months ended June 30, 2016 as a result of the general increase in market demand as the Group increased its marketing and advertising efforts. In the first half of 2016, the average selling price of the electric scooters increased from RMB1,707 for the six months ended June 30, 2015 to RMB1,789, and the average selling price of the electric bicycles increased from RMB1,158 for the six months ended June 30, 2015 to RMB1,203 as the upgraded models of electric scooters and electric bicycles allowed the Group to command higher selling price as compared with old models. Accordingly, the Group's overall gross profit margin was 21.5% for the six months ended June 30, 2016, up by 2.9% as compared with the gross profit margin for the corresponding period in 2015.

As a step to expand its business and promote its brand internationally, the Group opened a representative office in Shanghai in July 2016. By establishing a presence in Shanghai, one of the international metropolis in the PRC, the Group hopes to boost the visibility and relations with its current and potential international customers and facilitate its ambition to further capture the growth in demand for high-end electric two-wheeled vehicles not only in the PRC but across the world. The Group also continued to pursue cooperation with selected strategic alliances. On July 17, 2016, the Company acquired additional 6.3% of issued share capital of Lightning Motors Corporation ("Lightning"), a U.S. company specializing in researching and developing advanced electric two-wheeled vehicles, to research and develop products together and share international customer base.

Going forward, the Group will continue its focus on research and development to enhance its innovation capabilities and market competitiveness. With regard to its existing network, the Group plans to continue to perfect the end sales experience through cooperation with experienced fashion design firm to improve the product displays and layouts in the points of sales and to enhance the purchasing experience and portray a high-ended brand image to customers.

Financial Review

Revenue

For the six months ended June 30, 2016, we recorded revenue of approximately RMB2,937.7 million, representing an increase of approximately 6.7% compared to the corresponding period in 2015 of approximately RMB2,752.9 million. The increase was primarily attributable to an increase in the revenue from the sales of our electric two-wheeled vehicles, batteries and chargers.

Product Type	**For the six months ended June 30, 2016**			For the six months ended June 30, 2015		
	Revenue ***(RMB'000)***	**% of total**	**Volume '000 units**	Revenue *(RMB'000)*	% of total	Volume '000 units
Electric scooters	**1,604,763**	**54.6**	**896.9**	1,471,148	53.4	861.8
Electric bicycles	**664,080**	**22.6**	**551.9**	625,967	22.7	540.4
Subtotal	**2,268,843**	**77.2**	**1,448.8**	2,097,115	76.1	1,402.2
Batteries and chargers	**630,855**	**21.5**	**Batteries: 1,327.6 chargers: 905.3**	623,852	22.7	Batteries: 1,318.3 chargers: 974.5
Electric two-wheeled vehicle parts	**37,988**	**1.3**	**N/A**	31,923	1.2	N/A
Total	**2,937,686**	**100**	**–**	2,752,890	100	–

Revenue from the sales of electric scooters increased by approximately 9.1%, from approximately RMB1,471.1 million for the six months ended June 30, 2015 to approximately RMB1,604.8 million for the six months ended June 30, 2016 and revenue from sales of our electric bicycles increased by approximately 6.1%, from approximately RMB626.0 million for the six months ended June 30, 2015 to approximately RMB664.1 million for the six months ended June 30, 2016. The increases were due to the increases in both the average selling prices and the sales volumes of the electric scooters and electric bicycles.

Sales volume of electric scooters increased by approximately 4.1% from 861,825 units for the six months ended June 30, 2015 to 896,928 units for the six months ended June 30, 2016; and our sales volume of electric bicycles increased by approximately 2.1% from 540,386 units for the six months ended June 30, 2015 to 551,915 units for the six months ended June 30, 2016. The increase in the sales volume of the electric two-wheeled vehicles was primarily due to the general increase in market demand as the Group increased its marketing and advertising efforts. The average selling price of the electric scooters increased from RMB1,707 for the six months ended June 30, 2015 to RMB1,789 for the six months ended June 30, 2016. The average selling price of the electric bicycles increased from RMB1,158 for the six months ended June 30, 2015 to RMB1,203 for the six months ended June 30, 2016.

Cost of sales

Cost of sales increased by approximately 2.9%, from approximately RMB2,241.7 million for the six months ended June 30, 2015 to approximately RMB2,307.5 million for the six months ended June 30, 2016, and such increase is generally in line with the increase in our revenue.

Gross profit and gross profit margin

As a result of foregoing, the Group's gross profit increased by approximately 23.3% from approximately RMB511.2 million for the six months ended June 30, 2015 to approximately RMB630.2 million for the six months ended June 30, 2016.

Gross profit margin was 21.5% for the six months ended June 30, 2016, higher than the gross profit margin of 18.6% for the six months ended June 30, 2015, mainly attributable to the increased average selling price of the electric scooters and electric bicycles as the upgraded models of electric scooters and electric bicycles allowed the Group to command higher unit selling price as compared with old models.

Other income and gains, net

Other income and gains, net increased by approximately 26.4% from approximately RMB30.3 million for the six months ended June 30, 2015 to approximately RMB38.3 million for the six months ended June 30, 2016. This increase was primarily due to (i) the increase of approximately RMB9.8 million in discretionary government grants, (ii) the increase of approximately RMB2.3 million in gains from the wealth management products included in the financial assets at fair value through profit or loss, and (iii) partially offset by the decrease of RMB2.9 million in the bank interest income.

Profit for the Reporting Period

As a result of the cumulative effect of the foregoing, the Group's profit increased by approximately 23.4% from approximately RMB143.8 million for the six months ended June 30, 2015 to approximately RMB177.5 million for the six months ended June 30, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at June 30, 2016, cash and cash equivalents amounted to approximately RMB1,961.1 million, representing the increase of approximately 149.3% from approximately RMB786.7 million as at December 31, 2015.

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 a combination of bank loans borrowings and cash flows generated from its operating activities.

Net cash used in operating activities was approximately RMB90.6 million for the six months ended June 30, 2016, as compared with net cash generated from operating activities of approximately RMB44.9 million for the six months ended June 30, 2015. Net cash generated from investing activities was approximately RMB288.5 million and approximately RMB88.6 million for the six months ended June 30, 2016 and 2015, respectively. Net cash generated from financing activities was approximately RMB963.7 million, as compared with net cash used in financing activities of approximately RMB111.2 million for the six months ended June 30, 2015.

Taking into account the Group's existing cash and cash equivalents, anticipated cash flow from its operating activities, available bank borrowings 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, 2016, the Group had net current assets of approximately RMB915.4 million, as compared with net current liabilities of approximately RMB221.5 million as at December 31, 2015.

Inventory

Inventory primarily consisted of raw materials and finished goods. Inventory increased by approximately 57.0% from approximately RMB141.5 million as at December 31, 2015 to approximately RMB222.2 million as at June 30, 2016, primarily due to the increase of inventory of batteries. The average inventory turnover days for the six months ended June 30, 2016 decreased to 14.2 days from 14.9 days for the corresponding period in 2015.

Interest-bearing bank borrowings

As at June 30, 2016, outstanding bank borrowings represented the RMB equivalent of a US$2.0 million loan that the Company incurred to finance its acquisition of an approximately 11.1% equity interest in Lightning in December 2015.

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, 2016 was approximately 0.7% (December 31, 2015: 1.7%).

Human resources

As at June 30, 2016, the Group had 3,368 employees (December 31, 2015: 3,836). Total staff costs for the Reporting Period, excluding the Directors' remuneration, were approximately RMB129.3 million (for the six months ended June 30, 2015: approximately RMB138.4 million). 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 June 30, 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 bank loans and banking facilities which were used to finance daily business operation. As at June 30, 2016, the pledged assets of the Group amounted to approximately RMB1,359.2 million.

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

Save as disclosed herein, during the six months ended June 30, 2016, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group.

Acquisition of additional 6.3% of Issued Share Capital of Lightning

On July 17, 2016, the Company entered into a series B preferred stock purchase agreement with Lightning, pursuant to which the Company agreed to purchase and Lightning agreed to sell at a consideration of USD876,307.85 the 494,277 shares of Lightning, a U.S. company specializing in researching and developing advanced electric two-wheeled vehicles. Upon completion, the Company directly holds approximately 17.4% of the entired issued share capital of Lightning.

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" of the prospectus of the Company dated May 9, 2016. As at June 30, 2016, none of the proceeds had been utilised.

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

During the period commencing from the date of the listing of the Company on the Stock Exchange on May 19, 2016 (the "**Listing Date**") through to June 30, 2016, 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 (the "**Listing Rules**") on the Stock Exchange. The Company has fully complied with the code provisions set out in the CG Code throughout the period from the Listing Date to June 30, 2016. 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 enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the period from the Listing Date to June 30, 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.

INTERIM DIVIDEND

The Board resolved not to declare any payment of interim dividend for the six months ended June 30, 2016.

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.

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 of
Yadea Group Holdings Ltd.
Dong Jinggui
Chairman

Hong Kong, August 15, 2016

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, Mr. Fan Xiang is the non-executive Director, and Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng are the independent non-executive Directors.