

**YADEA GROUP HOLDINGS LTD:  
A SOLID COMPANY, PRODUCING ELECTRICALLY  
OPERATED, TWO-WHEELED VEHICLES**

**But Questions Could Be Raised As To Its Investment Policies**

Financially, Yadea Group Holdings Ltd () (Code: 1585, Main Board, The Stock Exchange of Hongkong Ltd) is as solid as the proverbial rock.

And, yet, it has come to the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) in order to scoop up another \$HK1.37 billion – adding this material sum of money to its already bulging coffers.

As at December 31, 2015, Yadea Group could boast of having not less than 1.57 billion renminbi (about \$HK1.87 billion) in cash and cash equivalents and pledged bank deposits.

**The Initial Public Offering (IPO)**

Yadea Group pitched its Global Offering of 750 million, \$US0.00001 Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK1.72 to a high of \$HK2.48.

Of the total number of Shares on Offer, 30 million Shares are those, belonging to Kuanjie (Cayman) Investment Center LP, this company said to have been a '*First Pre-IPO Investor*' of Yadea Group.

Investors of the HKSAR are Offered 75 million Shares and International Investors are being Offered 675 million Shares.

At the midpoint of the Indicative Offer Price Per Share, being \$HK2.10, Management estimates that it will net about \$HK1.37 billion (about 1,140.60 million renminbi), according to the calculations, used in the Global Offering Prospectus.

That not inconsiderable sum of money is expected to be utilised as follows, according to Page 306:

- Approximately, 50 percent of the net proceeds, that is about 570 million renminbi, '*to improve our distribution and sales as well as marketing including (i) brand promotion, advertising and marketing (approximately 19%), (ii) expansion of our distributor points of sales overhaul campaign (approximately 16%), (iii) expansion of our international sales (approximately 10%), and (iv) development of our online platform, including online sales promotion and marketing (approximately 5%)*';
- Approximately, 30 percent of the net proceeds, that is about 342 million renminbi, '*for our business expansion, including (i) purchases of new automated production equipment (approximately 5%) and production expansion (approximately 12%) and (ii) potential mergers and acquisitions (approximately 13%)*';
- Approximately, 10 percent of the net proceeds, that is about 114 million renminbi, '*for the research and development of products, improvement of research and development facilities as well as recruitment of research and development personnel*'; and,

- Approximately, 10 percent of the net proceeds, that is about 114 million renminbi, *'for general working capital.'*

The fourth usage of the net proceeds of this cash-raising exercise is a bit of a giggle, actually, because, as already stated, as at December 31, 2015, this Company had cash and cash equivalents of 786,691,000 renminbi, with pledged bank deposits of 779,056,000 renminbi.

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