雅迪集團控股有限公司
YADEA GROUP HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code：1585

2017
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS (Note)

Executive Directors:
Mr. Dong Jinggui (Chairman)
Ms. Qian Jinghong
Mr. Liu Yeming
Mr. Shi Rui
Mr. Shen Yu

Independent Non-executive Directors:
Mr. Li Zongwei
Mr. Wu Biguang
Mr. Yao Naisheng

AUDIT COMMITTEE

Mr. Li Zongwei (Chairman)
Mr. Wu Biguang
Mr. Yao Naisheng

REMUNERATION COMMITTEE

Mr. Wu Biguang (Chairman)
Mr. Liu Yeming
Mr. Yao Naisheng

NOMINATION COMMITTEE

Mr. Dong Jinggui (Chairman)
Ms. Qian Jinghong
Mr. Yao Naisheng
Mr. Wu Biguang
Mr. Li Zongwei

JOINT COMPANY SECRETARIES

Mr. Shen Yu
Ms. Wong Sau Ping

AUTHORIZED REPRESENTATIVES

Mr. Liu Yeming
Ms. Wong Sau Ping

REGISTERED OFFICE

Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Xishan Road
Dacheng Industrial Zone
Anzhen Town
Xishan District
Wuxi, Jiangsu Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

TC Capital International Limited
Suite 1903–4, 19/F, Tower 6,
The Gateway, Harbour City,
9 Canton Road, Kowloon,
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

Note: Due to the commitments to other professional and personal affairs, Mr. Fan Xiang resigned as non-executive Director on 5 January 2017.

LEGAL ADVISOR

As to Hong Kong Law:
Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRINCIPAL BANKERS

Bank of Nanjing, Wuxi Xishan Branch
No. 1 East Xihu Road
Wuxi, Jiangsu Province
China

China Construction Bank, Cixi Branch
No. 279 Shishan Road
Cixi, Zhejiang Province
China

China Everbright Bank,
Tianjin Huayuan Branch
No. 62–68 Caizi Yuan
Junction of Huayuan Road
and Yashi Avenue
Nankai District, Tianjin
China

STOCK CODE

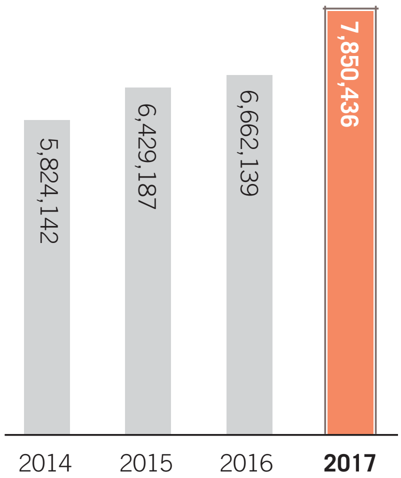
1585

WEBSITE

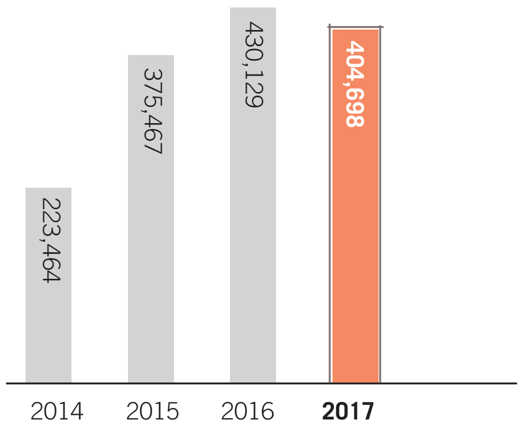
www.yadea.com.cn

FINANCIAL HIGHLIGHTS

REVENUE
RMB'000



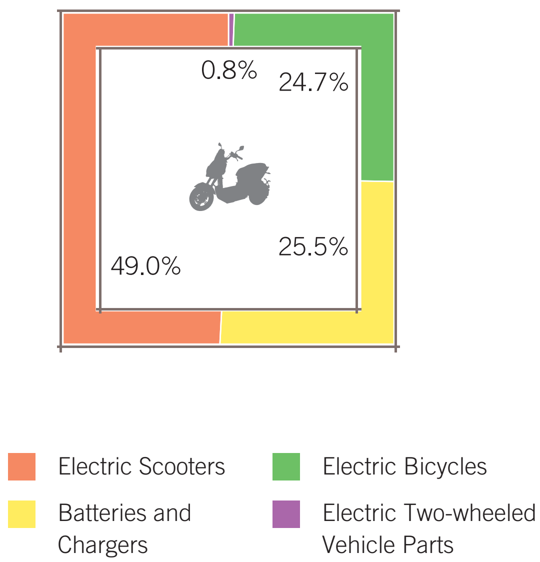
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
RMB'000



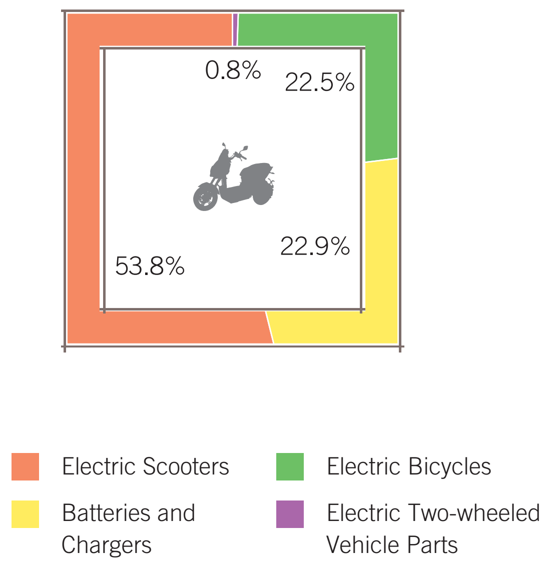
Consolidated revenue increased 17.8% year-on-year to RMB7,850.4 million

REVENUE GENERATED BY PRODUCT TYPE

2017



2016



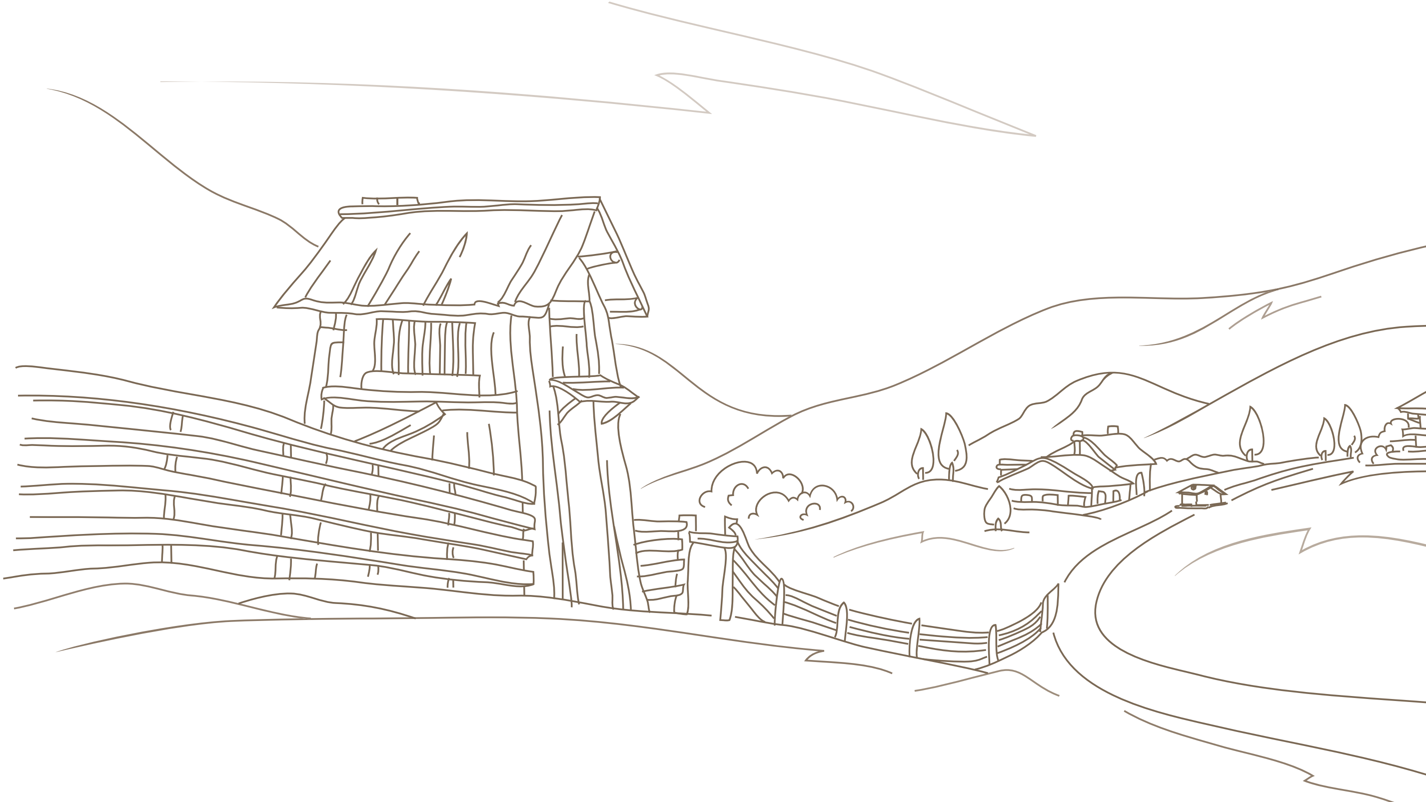
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			
	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,850,436**	6,662,139	6,429,187	5,824,142
Cost of sales	**(6,682,040)**	(5,309,375)	(5,211,994)	(4,855,684)
Gross profit	**1,168,396**	1,352,764	1,217,193	968,458
Profit before tax	**479,328**	554,416	490,867	306,703
Income tax expense	**(74,326)**	(124,287)	(115,400)	(83,239)
Profit for the year attributable to				
– Owners of the parent	**404,698**	430,129	375,467	223,464
– Non-controlling interests	**304**	–	–	–

CONDENSED CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December			
	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**7,005,122**	5,865,962	3,989,768	2,917,311
Total liabilities	**4,528,018**	3,645,392	3,207,931	2,400,738
Total equity	**2,477,104**	2,220,570	781,837	516,573

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I am pleased to present to you the annual results of Yadea Group Holdings Ltd. ("**Yadea**" or the "**Company**" and together with its subsidiaries, the "**Group**") for the year ended 31 December 2017.

China's economy grew by 6.9% in 2017 according to official data, the first time since 2010 that China's official growth rate has accelerated from the previous year. The growth was driven by a rebound in the industrial sector, a resilient property market and strong export. China's consumption expenditures was approximately 36,626.2 billion with retail sales grew 10.2% this year as compared with a growth of 10.4% for 2016. Building on our previous success and benefiting from macroeconomic conditions, we again delivered a solid financial and operational results in 2017. As part of our continuing effort to boost sales volume and capture additional market share in the PRC, we continued to advance a competitive pricing strategy by offering more discounts to our distributors for certain products as part of promotions and made downward adjustments to suggested retailed 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. According to Frost & Sullivan, our market share in the electric two-wheeled vehicle market in terms of the total sales volume of electric scooters and electric bicycles has increased by approximately 1.89% in 2017 as compared with previous year.

We also strived 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%. During the year, we have successfully introduced 33 new electric scooters and 30 new electric bicycles with advanced performance characteristics and upgraded 45 electric scooters and 6 electric scooters to enhance the quality in the area of intelligent technology.

We also continued to promote "Yadea" brand at the international level. In particular, we have been named as a regional supporter of the 2018 FIFA World Cup™ for Asia, in which 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.

Looking ahead to 2018, it is expected China's economy growth to gradually slowdown in 2018 as China is shifting from high growth to high quality development, with priorities being given to controlling systemic risk, narrowing the gap between the rich and the poor, promoting regional development, fighting against corruption and protecting the environment. Despite this quality over growth focus, China's consumption expenditures is expected to continue to grow at fast pace, which we believe it will support the demand for electric two-wheeled vehicles. We will continue our efforts on expanding our market share, technology innovation and sales and marketing in order to further boost productivity, enhance operating efficiency and customer satisfaction to provide profitable returns to shareholders.

On behalf of the Board, I would like to thank our management team and employees for their dedicated services and contributions and extend my heartfelt gratitude to our shareholders and business partners for their continued support and trust. To share the fruits of the growth with our shareholders, we are pleased to propose a final dividend of 4.0 HK cents per ordinary share for the year ended 31 December 2017.

Yours sincerely,
Dong Jinggui
Chairman

22 March 2018

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 retailed 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 5.4% 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.

Product Type	For the year ended 31 December 2017 Revenue (RMB'000)	Percentage of total (%)	Volume '000 units	For the year ended 31 December 2016 Revenue (RMB'000)	Percentage 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 assets 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.

Gearing Ratio

No gearing ratio is presented as the Group had no bank borrowings 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 INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

Acquisition of the Entire Issued Share Capital and the Shareholder Loan of Shanghai Muhong Investment Management Co., Ltd.

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.

MATERIAL INVESTMENT AND CAPITAL ASSETS

As at the date of this annual report, the Company does not contemplate any future plans for material investments, capital assets and other sources of funding in the coming year.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed herein, 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.

The Board is pleased to present this corporate governance report of the Group for the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high corporate governance standards.

The Group believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability.

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. For 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 for 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.

THE BOARD

(1) Responsibilities

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the risk management and internal control systems; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Group has internal audit function.

The Company has arranged appropriate insurance cover for Director's liabilities in respect of legal action against its Directors arising out of corporate activities.

(2) Authorisation

The Board delegates the day-to-day management, administration and operation of the Group to management and contributes to the Group through monitoring daily business operation, development plan and implementation. In addition, the Board has established several Board committees and delegates to the Board committees the responsibilities set out in their written terms of reference. The Board regularly reviews the delegated functions to ensure that they suit the needs of the Group.

(3) Board composition

The Board currently comprises eight Directors, including five executive Directors, and three independent non-executive Directors.

Executive Directors	Mr. Dong Jinggui *(Chairman)* Ms. Qian Jinghong Mr. Liu Yeming Mr. Shi Rui Mr. Shen Yu
Independent non-executive Directors	Mr. Li Zongwei Mr. Wu Biguang Mr. Yao Naisheng

The biographical information of the Directors are set out in the section headed "Directors & Senior Management Profiles" from page 22 to page 26 of this annual report. Mr. Dong Jinggui, who is the executive Director, is the spouse of Ms. Qian Jinghong, who is also the executive Director. Save as disclosed above, none of the members of the Board is related to one another.

All the Directors, including independent non-executive Directors, bring invaluable operating experiences, knowledge and professionalism to the Board, which allows for its effective and efficient operation.

Independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors. A list of the Directors and their role and function is published on the websites of the Company and the Stock Exchange.

(4) Independent non-executive Directors

For the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

(5) Appointment and re-election of Directors

Each of the executive Directors has entered into a service contract with the Company on 22 April 2016 for an initial term of three years commencing from 19 May 2016 (the "**Listing Date**") unless terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the independent non-executive Directors has entered into an appointment letter with the Company on 22 April 2016 for a term of three years commencing from the Listing Date.

Pursuant to the articles of association of the Company (the "**Articles of Association**"), the Board shall have the power from time to time and at anytime to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

According to the Articles of Association, Mr. Liu Yeming, Mr. Shi Rui and Mr. Shen Yu will retire at the annual general meeting to be held on Wednesday, 6 June 2018 (the "**2018 AGM**"), and, being eligible, offer themselves for re-election at the 2018 AGM.

(6) Continuous professional development of Directors

Directors keep abreast of responsibilities as a Director and of the business activities and development of the Company. In 2017, each Director, namely, Mr. Dong Jinggui, Ms. Qian Jinghong, Mr. Liu Yeming, Mr. Shi Rui, Mr. Shen Yu, Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng participated in continuous professional development. They developed and refresh their knowledge and skills in respect of the Listing Rules and relevant statutory requirements, thus to make contributions to the Board.

Internally-facilitated briefings for Directors are arranged and reading materials on relevant topics will be circulated to Directors where appropriate so as to ensure that Directors understand the condition of the Company and the latest policies from regulatory bodies in a timely manner. All Directors are encouraged to attend relevant training courses at the Company's expenses.

(7) Attendance of Directors and committee members

The attendance of each Director at the Board and committee meetings and the general meeting of the Company held for the year ended 31 December 2017 is set out in the table below:

	Attendance/Number of Meetings				
Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**General Meeting**
Executive Director					
Mr. Dong Jinggui *(Chairman)*	4/4	1/1	1/1	2/2	1/1
Ms. Qian Jinghong	4/4	1/1	1/1	2/2	1/1
Mr. Liu Yeming	4/4	1/1	1/1	2/2	1/1
Mr. Shi Rui	4/4	1/1	1/1	2/2	1/1
Mr. Shen Yu	4/4	1/1	1/1	2/2	1/1
Independent Non-executive Director					
Mr. Li Zongwei	4/4	1/1	1/1	2/2	1/1
Mr. Wu Biguang	4/4	1/1	1/1	2/2	1/1
Mr. Yao Naisheng	4/4	1/1	1/1	2/2	1/1

The Company has annual meeting schedules and draft agenda of each meeting of the Board and the committees made available to Directors in advance, and serves notices of regular Board meetings at least 14 days before the meetings. For other Board and committee meetings, reasonable notices are given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors appraised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and every Director also have separate and independent access to the senior management of the Company where necessary.

Draft and final versions of minutes are circulated to Directors or relevant committee members for comment and records respectively within a reasonable time after each meeting. Minutes of Board meetings and committee meetings are kept by the company secretary or the duly appointed secretaries of the respective meetings (as the case may be) and are available for inspection by all Directors at all reasonable time. The Articles of Associations contain provisions requiring any Director to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Director or any of his/her associates have a material interest.

CHAIRMAN AND PRESIDENT

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The positions of chairman and president are held by Mr. Dong Jinggui and Mr. Liu Yeming respectively. Mr. Dong Jinggui, the co-founder of the Group, is our chairman and executive Director. He provides leadership and is responsible for the effective functioning of the Board. Mr. Liu Yeming is our president and executive Director. He focuses on the Company's business development and daily management and operations generally. The respective responsibilities of Mr. Dong Jinggui and Mr. Liu Yeming are clearly defined and set out in writing.

The Company has established a general division of responsibilities between the chairman and president in writing. Further, the roles of chairman and president are separated and performed by different individuals. In this connection, the Board is of the opinion that the Company has complied with the code provision A.2.1 set out in the CG Code as at 31 December 2017.

The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

BOARD COMMITTEES

The Board has established three committees, namely, the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the audit committee (the "**Audit Committee**"), to oversee particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Nomination Committee

As at the date of this annual report, the Nomination Committee comprises five members, including two executive Directors, Mr. Dong Jinggui (chairman of the Nomination Committee) and Ms. Qian Jinghong, three independent non-executive Directors, Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng.

The main responsibility of the Nomination Committee includes reviewing the structure, size and composition of the Board on a regular basis and making recommendations on any proposed changes, identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, assess the independence of the independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of the Directors and succession planning for the Directors. The Nomination Committee also reviews the Board diversity policy adopted by the Board on 22 April 2016 (the "**Board Diversity Policy**") from time to time to ensure its effectiveness.

Board Diversity Policy

The Board adopted the Board Diversity Policy on 22 April 2016.

On setting the composition of the Board, the Company maintains that Board appointment should be based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account professional experience and qualifications, gender, age, ethnicity, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to experience and expertise, professional experience and qualifications, gender, age, ethnicity and cultural and educational background. The Nomination Committee will review the Board Diversity Policy as and when appropriate to ensure its effectiveness.

Remuneration Committee

As at the date of this annual report, the Remuneration Committee comprises three members, including one executive Director, Mr. Liu Yeming, two independent non-executive Directors, Mr. Wu Biguang (chairman of the Remuneration Committee) and Mr. Yao Naisheng.

The main responsibility of the Remuneration Committee are to establish, review and make recommendations to the Board on the policy and structure concerning the remuneration of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management of the Company and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Details of the amount of Directors' remuneration are set out in note 10 to the financial statements. The remuneration paid to the senior management of the Company (exclusive of Directors) for the year ended 31 December 2017 was within the range below:

Range of remuneration	No. of person
Nil to HK$1,000,000	5

Audit Committee

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

The responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board. The Audit Committee is also responsible for reviewing the financial reporting process and financial controls, risk management and internal control systems, including the internal audit function as well as arrangements for concerns about possible improprieties in financial reporting, risk management and internal control or other matters raised by employees of the Company (the "**whistle blowing**").

The Audit Committee and the Company's management have considered and reviewed the accounting principles and practices adopted by the Group and have discussed matters in relation to risk management, internal control and financial reporting, including the review of the consolidated financial statements of the Group for the year ended 31 December 2017.

For the year ended 31 December 2017, the Audit Committee held two meetings. The Audit Committee has performed the following work during the year:

(a) Reviewing:

  (i) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2017;

  (ii) the interim results announcement of the Group for the six months ended 30 June 2017; and

  (iii) the interim report of the Company for the six months ended 30 June 2017.

(b) Reviewing and considering the major audit findings by the external auditor of the Company.

(c) Reviewing and considering the major internal audit issues for the six months ended 30 June 2017 and reviewing the financial reporting system and risk management and internal control procedures of the Company.

(d) Reviewing the arrangements for employees of the Company can use to raise concerns about possible improprieties in financial reporting, risk management and internal control systems or other matters, and reviewing and considering the investigation progress of reported cases.

The Audit Committee also met with the external auditor twice without the presence of the executive Directors.

The Company's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance functions:

(a) To formulate and review the Group's corporate governance policies and practices and make recommendation to the Board;

(b) To review and oversee the trainings and continuous professional development of Directors and senior management of the Group;

(c) To review and oversee the Group's policies and practices on compliance with any requirements, guidelines and rules that may be imposed by the Board or which may be incorporated into any constitutional documents of the Group or which may have been provided by the Listing Rules, applicable laws and other regulatory requirements as well as by applicable institutional governance standards;

(d) To formulate, review and oversee the code of conduct and the compliance handbook (if any) of the employees of the Group and the Directors; and

(e) To review the Group's compliance with the CG Code as adopted by it from time to time and the disclosure in the corporate governance report as set out in the annual report of the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

The Board is responsible for presenting balanced, clear and understandable annual and interim reports, inside information disclosure and other disclosures of the Company required under the Listing Rules and other statutory and regulatory requirements.

The Company's management is responsible for providing such explanation and information necessary to the Board to enable the Board to carry out an informed assessment of the financial statements put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions which may cause significant doubt upon the Group's ability to continue as a going concern.

The statement regarding the Directors' responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 43 in this annual report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report from page 43 to page 44 in this annual report.

During the year, the remuneration paid or payable to the Company's external auditor in respect of audit services for the year ended 31 December 2017 is set out below:

Service Category	Fee paid/payable *(RMB'000)*
Audit services	2,700
Non-audit services (tax services)	112
Total	2,812

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for maintaining solid and effective risk management and internal control systems to safeguard investments of Shareholders and the Company's assets.

The risk management and internal control systems are designed to identify, assess and report on potential risks and implement control measures, to mitigate rather than to completely eliminate the risks associated with achieving our business objectives. These systems provide a reasonable but not absolute assurance against material misstatement or loss.

The key features of the Group's risk management and internal control systems include the following:

- An organized structure with clearly defined and distinct scope of authority and responsibilities

- A comprehensive financial accounting system to provide for various performance measurement indicators and to ensure compliance with relevant rules

- Annual plans prepared by senior management of the Company on financial reporting, operations and compliance with reference to significant potential risks

- Strict prohibition of unauthorized expenditures

- Guidelines on the dissemination of confidential and sensitive information

- Specific approval from executive Director/responsible senior executive of the Company prior to commitment in all material matters

- Appropriate policy to ensure the effective use of resources, the qualifications and experiences possessed by our staff members who are responsible for the Group's accounting and financial reporting functions, and sufficient training provided to our staff members

- Management's review and evaluation on the internal control procedures and monitoring of risk factors on a regular basis

- Report to the Audit Committee about the findings on identified risks and measures to address such risks.

The main procedures used to identify, evaluate and manage significant potential risks are as follows:

- **Identify** – We identify current and emerging risks in our business operations and categorize those risks into a reasonable profile based on timeframe, likelihood, intensity and impact severity. We establish four risk categories, including strategic risks, financial risks, operating risks and legal risks. The Audit Committee has established and oversees the whistle blowing policy. In line with that commitment, the Company expects and encourages the employees, customers, suppliers and other stakeholders who have concerns about any suspected misconduct or malpractice within the Company to voice their concerns. All whistleblowing reports are investigated to the fullest extent possible and reported to the Audit Committee.

- **Assess** – We assess and prioritize risks so that the most important risks can be identified and dealt with. Based on both qualitative and quantitative analyses, we prioritize risks in terms of likelihood and impact severity.

- **Mitigate** – Based on our assessment of (i) the probability and impact severity of the risks and (ii) cost and benefit of the mitigation plans, we choose the appropriate option for dealing with risks, including risk elimination by suspending the associated business activities, risk reduction by adopting appropriate control measures, risk transfer by outsourcing or purchasing insurance policies, and risk acceptance by choosing to accept risks of low priority.

- **Measure** – We measure our risk management system by determining if changes have been implemented and if changes are effective. In the event of any weakness in control, we follow up by adjusting our risk management measures and reporting material issues to the Board.

The Audit Committee assists the Board to review and monitor the scope, issues, results and action plans in relation to or arising from the internal and external audits. The Audit Committee also assists with the Board's corporate governance role in the Group, particularly in overseeing the risk management and internal control systems, and managing the finance and internal audit functions.

During 2017, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Company, including the adequacy of resources, staff qualifications and experiences, training programs and budget of the Company in relation to the accounting and financial reporting functions.

The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate to govern the adequacy of resources, staff qualifications and experiences, training programs and budget of the accounting, internal audit and financial reporting functions.

COMPLIANCE ADVISER

The Company appointed TC Capital International Limited as the compliance adviser with effect from 24 February 2017 to provide guidance and opinion to the Company in respect of the compliance with the Listing Rules and other regulations and practice governing listed issuers in Hong Kong.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with Shareholders essential for maintaining good investor relations and enhancing investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and extraordinary general meetings. The chairman of the Board, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at general meetings to meet Shareholders and answer their enquiries. In addition, to promote effective communication, the Company maintains a website at www.yadea.com.cn, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

JOINT COMPANY SECRETARIES

Mr. Shen Yu and Ms. Wong Sau Ping are the joint company secretaries of the Company (the "**Joint Company Secretaries**"). The chief responsibilities of the Joint Company Secretaries include supporting the Board in business transactions, ensuring good communication and flow of information within the Board and the compliance of the policies and procedures of the Board, and advising the Board on governance matters, assisting newly appointed Director to his/her new position and overseeing the trainings and continuous professional development of the Directors. Ms. Wong Sau Ping is a senior manager of TMF Hong Kong Limited (a company secretarial service provider). Her primary contact person at the Company is Mr. Shen Yu, the other Joint Company Secretary.

According to Rule 3.29 of the Listing Rules, the Joint Company Secretaries have confirmed that they have taken no less than 15 hours of professional trainings to update their skills and knowledge for the year ended 31 December 2017. The biographical details of Mr. Shen Yu and Ms. Wong Sau Ping are set out on page 23 and page 26 of this annual report respectively.

GOING CONCERN CAPABILITY

The Board has not been aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder's interests and rights, a separate resolution is proposed for each separate issue at general meetings, including the election of individual Directors.

Except where the chairman of the Board, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings shall be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedure for convening an extraordinary general meeting by Shareholders

Pursuant to the Articles of Association, any one or more Shareholders holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings may require an extraordinary general meeting by a written requisition to the Board or the Company Secretary either via personal delivery or mail (for the attention of the Board/Company Secretary, at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong or via email (ydsh@yadea.com.cn). The Board shall, within 21 days from the date of deposit of the requisition, duly convene a general meeting.

Procedure for putting forward proposals at general meetings

Any Shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration either via personal delivery, mail (for the attention of the Board/Company Secretary, at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong) or via email (ydsh@yadea.com.cn). The Board may, in its sole discretion, consider if such proposals are appropriate and shall put forward such proposals to the Shareholders for approval at the next annual general meeting, or at an extraordinary general meeting to be convened by the Board, as appropriate.

Procedure for putting forward enquiries to the Board

Shareholders are, at any time, welcome to send their enquires or requests to the Board via personal delivery or mail (for the attention of Shareholder Communication, at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong) or via email (ydsh@yadea.com.cn).

Note: The Company will not normally deal with verbal or anonymous enquiries.

For the avoidance of doubt, Shareholder(s) must deposit/send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's aforesaid address, and provide his/her/their full name(s), contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional documents

For the year ended 31 December 2017, there were no changes in the constitutional documents of the Company.

INFORMATION DISCLOSURE

Regarding the disclosure of inside information and internal control measures, the Company understands its duties under the Listing Rules and the Securities and Futures Ordinance (the "**SFO**"), and adheres to the important principle of timely publication of the inside information. The Company abides by the "Guide on disclosure of inside information" published by the Securities and Futures Commission, and has developed a complete system of internal procedures and internal control measures for processing and publication of information in order to ensure the timely, accurate and appropriate disclosure of relevant information to the Shareholders and regulatory authorities.

The Group has put in place a system for the disclosure of inside information in compliance with the SFO. The system sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the stakeholders to apprehend the latest position of the Group. The system and its effectiveness are subject to review on a regular basis according to the established procedures.

SUMMARY OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the Company strived to fulfill their social responsibilities by proactively implementing practices and policies in relation to the environmental, social and governance (the "**ESG**"). Pursuant to the Environmental, Social and Governance Reporting Guide, Appendix 27 to the Listing Rules, the Company kept reviewing and improving their work on sustainable development within the reporting period. A detailed disclosure of the ESG results is covered by a separate ESG report.

DIRECTORS

Executive Directors

Mr. Dong Jinggui (董經貴), aged 49, the spouse of Ms. Qian, is the co-founder of the Group and the chairman of the Board. Mr. Dong has been the Director since 17 July 2014 and was re-designated as the executive Director on 19 January 2015. Mr. Dong is currently a director of Yadea Group, Jiangsu Yadea and Jiangsu Xindi and a supervisor of Tianjin Weiye. In addition to serving in our Group companies, Mr. Dong has been a director of Jiangsu Yadea Investment Co., Ltd. (江蘇雅迪投資有限公司) since June 2014. Mr. Dong has approximately 19 years of experience in the electric two-wheeled vehicle industry. Mr. Dong began tapping into the electric two-wheeled vehicle industry in 1997 when he began the preparation of the establishment of Jiangsu Yadea with Ms. Qian. In order to expand his networks and acquire the latest industry knowledge and resources, Mr. Dong also frequently attended industry related seminars and conferences. Prior to 1997, Mr. Dong was employed for six years at a motorcycle factory where he acquired relevant industry knowledge and experience.

In December 2008, Mr. Dong was named the "Pride of Sushang – the Most Respected Entrepreneur in Jiangsu in the 30 Years of Reform and Opening up (改革開放30年•「蘇商驕傲–江蘇最受尊敬企業家」)" by Nanjing University Business School (南京大學商學院), the Institute of Economics of Jiangsu Provincial Academy of Social Sciences (江蘇省社會科學院經濟研究所) and Quality "Sushang" Magazine (精品《蘇商》雜誌社). In July 2013, Mr. Dong was recognized as an outstanding leader in quality management group activities in the national light industry (全國輕工業品質管制小組活動卓越領導者) by the Light Industry Branch of the China Association for Quality (中國質量協會輕工分會). Mr. Dong has been the vice president of the Jiangsu Bicycle and Electric Bicycle Association (江蘇省自行車電動車協會) since July 2013. Mr. Dong is currently a student in the Executive Master of Business Administration Program jointly offered by the Harbin Institute of Technology and the ASIA Pacific Institute of Management China.

Ms. Qian Jinghong, an executive Director, is the spouse of Mr. Dong.

Ms. Qian Jinghong (錢靜紅), aged 46, the spouse of Mr. Dong, is the co-founder of the Group and the vice chairman of the Board. Ms. Qian has been the Director since 17 July 2014 and was re-designated as the executive Director on 19 January 2015. Ms. Qian is currently a director of Yadea Import Export and a supervisor of Yadea Group and Tianjin Industry. Ms. Qian has approximately 19 years of experience in the electric two-wheeled vehicle industry. Ms. Qian began tapping into the electric two-wheeled vehicle industry in 1997 when she began the preparation of the establishment of Jiangsu Yadea with Mr. Dong. In order to expand her networks and acquire the latest industry knowledge and resources, Ms. Qian also frequently attended industry related seminars and conferences. Prior to 1997, Ms. Qian was employed for four years at a motorcycle factory where she acquired relevant industry knowledge and experience.

Currently, Ms. Qian also serves as the vice president of the Junior Chamber of Commerce of Xishan District (錫山區青商會). Ms. Qian received the Certificate of Accounting Professional from the Finance Bureau of Xishan,Wuxi (無錫市錫山區財政局) in September 2000. Ms. Qian is currently a student in the Executive Master of Business Administration Program jointly offered by the Harbin Institute of Technology and the ASIA Pacific Institute of Management China.

Mr. Dong Jinggui, an executive Director, is the spouse of Ms. Qian.

Mr. Liu Yeming (**劉曄明**), aged 47, is the president of the Company and has been the Director since 10 December 2014. Mr. Liu was re-designated as the executive Director on 19 January 2015. Mr. Liu joined the Group in December 2013 and is responsible for the overall strategic planning and general management, as well as the external affairs of the Group.

Prior to joining the Group, Mr. Liu had held various positions in COFCO Corporation (formerly known as China Cereals, Oils and Foodstuffs Import and Export Corporation (中國糧油食品進出口總公司) until 1998, China Cereals, Oils and Foodstuffs Import and Export (Group) Co., Ltd. (中國糧油食品進出口(集團)有限公司) until 2004 and China Cereals, Oils and Foodstuffs (Group) Co., Ltd. (中國糧油食品(集團)有限公司) until 2007) from 1992 to 2013, including positions as a deputy general manager of COFCO (New York) Co., Ltd. (中糧(紐約)有限公司), a deputy general manager of the oil division of COFCO Corporation and a deputy general manager of Hangzhou CPMC Co., Ltd. (杭州中糧包裝有限公司).

Mr. Liu graduated from Jiangnan University (江南大學) with a doctoral degree in Food Commerce and Culture in December 2011.

Mr. Shi Rui (**石銳**), aged 41, is the chief financial officer of the Company and has been the Director since 10 December 2014. Mr. Shi was re-designated as the executive Director on 19 January 2015. Mr. Shi joined the Group in March 2014 and is responsible for the financial aspects of the Group.

Prior to joining the Group, Mr. Shi had held various positions at Beijing Zhongchang Accounting Firm (北京中昌會計師事務所) from January 2001 to June 2006 and from July 2008 to February 2014, including positions as a project manager, a division manager, a senior manager and a partner. In addition, Mr. Shi was a financial manager and consultant at Shenzhen Winscom Industrial Co., Ltd., Beijing Branch (深圳市維新康實業有限公司北京分公司) between July 2006 and June 2008.

Mr. Shi became a registered member of the Chinese Institute of Certified Public Accountant in July 2003 and received his accountant qualification from the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in September 2003. Mr. Shi graduated from Shaanxi University of Finance and Economics (陝西財經學院) with a tertiary qualification in International Accounting in June 1999.

Mr. Shen Yu (**沈瑜**), aged 43, has been the Director since 10 December 2014 and was re-designated as the executive Director on 19 January 2015. Mr. Shen joined the Group in May 2005 and has since served as the assistant to the chairman of the Board and supervisor of the president's office. Mr. Shen is responsible for the administrative affairs of the Group, as well as assisting the chairman of the Board and president in external affairs and public relations management. Mr. Shen is also the Joint Company Secretary.

Prior to joining the Group, Mr. Shen was a deputy general manager of Wuxi Lianmei Public Relations Co., Ltd. (無錫聯美公關有限公司) from May 2001 to April 2005, a quality control engineer at Wuxi Murata Electronics Co., Ltd. (無錫村田電子有限公司) from October 2000 to May 2001, an electrical engineer at Wuxi Mining Machinery Plant (無錫礦山機械廠) from January 1997 to October 2000 and an electrical engineer at Yizheng Huaxian Group Co., Ltd. (儀征化纖集團有限公司) from July 1995 to December 1996.

Mr. Shen graduated from Xi'an Jiaotong University (西安交通大學) with a tertiary qualification in Industrial Automation in July 1995 and graduated from Southeast University (東南大學) with a master's degree in Business Administration in June 2013.

Independent Non-Executive Directors

Mr. Wu Biguang (**吳必光**), aged 61, was appointed as the independent non-executive Director on 10 December 2014. Mr. Wu is responsible for supervising and providing independent judgment to the Board.

In addition to serving as the independent non-executive Director, Mr. Wu is currently the head of the Faculty of Law, the first level academic leader of the master's program and the professor-in-charge of the master's program in Criminal Law at the College of Humanities and Law of the North China University of Technology (北方工業大學文法學院), where he has been teaching since May 1989. Mr. Wu is also a committee member of the Professional Advisory Committee of the District People's Court of Shijingshan District, Beijing (北京市石景山區人民法院專家諮詢委員會委員) and a committee member of the Government Administration Review Committee of Shijingshan District (石景山區政府行政復議委員會委員). Mr. Wu is a part-time legal practitioner as certified by the Bureau of Justice of Beijing (北京市司法局) in December 2009.

Previously, Mr. Wu served as an independent non-executive director of Inner Mongolia Yili Industrial Group Co., Ltd. (蒙古伊利實業集團股份有限公司) (Shanghai Stock Exchange stock code: 600887) between October 2004 and May 2011, where he had been a member of the remuneration committee, nomination committee and strategy committee. Mr. Wu was a professor at the School of Law of Zhengzhou University (鄭州大學法學院) between July 1984 and May 1989.

Mr. Wu was recognized as an "Outstanding Teacher in Beijing (北京市優秀教師)" by the Education Commission of Beijing Municipal Committee of the Communist Party of China (中國共產黨北京市委員會教育工作委員會), Beijing Municipal Commission of Education (北京市教育委員會), Human Resources and Social Security Bureau of Beijing Municipality (北京市人事局), Finance Bureau of Beijing Municipality (北京市財政局), Labor Bureau of Beijing Municipality (北京市勞動局) and Trade Union on Education of China, Beijing Committee (中國教育工會北京市委員會) in 1997. Mr. Wu graduated from China University of Political Science and Law (中國政法大學) with a bachelor's degree in Law in July 1984 and from Peking University (北京大學) with a master's degree in Criminal Law in July 1996.

Mr. Li Zongwei (李宗煒), aged 46, was appointed as the independent non-executive Director on 18 January 2015. Mr. Li is responsible for supervising and providing independent judgment to the Board.

In addition to serving as the independent non-executive Director, Mr. Li is currently the chief strategic officer of Yingli Green Energy Holding Company Limited (New York Stock Exchange stock code: YGE), where he was the chief financial officer between November 2006 and May 2009, an executive director and the chief financial officer between May 2009 and May 2014 and an executive director and the chief strategic officer between May 2014 and November 2014. Mr. Li is also the president of Shanghai Sailing Huili Asset Management Co., Ltd. (上海賽領匯力資產管理有限公司) and an independent non-executive director and the chairman of the auditing committee of Youku Tudou Inc. (New York Stock Exchange stock code: YOKU). Mr. Li was a senior auditing manager of PricewaterhouseCoopers between April 1995 and October 2006.

Mr. Li was consecutively listed as one of the "Forty Business Elites in China Under the Age of 40 (中國40位40歲以下的商界精英)" by Fortune China from 2011 to 2013. Mr. Li became a non-practicing member of the Shanghai Institute of Certified Public Accountants in December 2009 and was admitted as a fellow chartered chief financial officer by the International Association of Education in August 2010.

Mr. Li graduated from Shanghai Institute of Technology (上海應用技術學院) with a bachelor's degree in Mechanical Engineering in July 1993 and from Washington University in Saint Louis with a master's degree in Business Administration in December 2006.

Mr. Yao Naisheng (姚乃勝), aged 46, was appointed as the independent non-executive Director on 28 August 2015. Mr. Yao is responsible for supervising and providing independent judgment to the Board.

In addition to serving as the independent non-executive Director, Mr. Yao is currently a vice president at JD.com. Previously, Mr. Yao was a senior investor at Hillhouse Capital Group between November 2009 and January 2011, an associate partner at International Business Machines Corporation (IBM) between April 2007 and October 2009, and a director at CertainTeed Corporation between July 2005 and March 2007.

Mr.Yao graduated from Tianjin University with a bachelor's degree in Chemical Engineering in July 1993 and a master's degree in Engineering in April 1996. Mr. Yao graduated from Yale University with a Doctor of Philosophy in May 2002.

SENIOR MANAGEMENT

Mr. Liu Yeming (**劉曄明**) and **Mr. Shi Rui** (**石銳**) are the senior management of the Company. For details of Mr. Yeming Liu and Mr. Rui Shi, please refer to the "Directors–Executive Directors" section above.

Mr. Wang Jiazhong (**王家中**), aged 40, joined the Group in February 1999 as an officer. Mr. Wang has been the vice president of the Group since April 2017, the executive director of Tianjin Industry since January 2011, the executive director of Tianjin Weiye since September 2009 and the deputy general manager of Yadea Sales since October 2014. Mr. Wang is responsible for the sales of our Group. Mr. Wang was the general manager of the Tianjin branch of Jiangsu Yadea between September 2006 and May 2013.

Mr. Wang served as a member of the Standing Committee of the People's Congress of Beichen District, Tianjin (天津市北辰區人民代表大會常務委員會) in November 2011. Mr.Wang was recognized as the "Most Beautiful Youth Who Creates Wealth Through Entrepreneurship (最美創業致富青年)" by the Beichen District Committee of the Youth League of the Communist Party of China (中國共青團北辰區委員會) in April 2014. Mr. Wang received the Qualification Certification of Senior Professional Manager from the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會) in December 2013. Mr. Wang graduated from Nankai University (南開大學) with a tertiary qualification in Business Administration, an online program, in January 2014. Mr. Wang is currently a student in the Executive Master of Business Administration Program at Tianjin University (天津大學).

Mr. Zhou Chaoyang (**周朝陽**), aged 35, joined the Group in May 2000 as an officer and became the general manger of Guangdong Yadea in August 2010. Mr. Zhou has been the general manager of our Wuxi facility since October 2014 and is responsible for the operations of the Wuxi facility.

Mr. Zhou graduated from Wuhan University of Technology (武漢理工大學) with a tertiary qualification in Business Administration, an online program, in July 2009.

Mr. Xue Bo (**薛波**), aged 44, has been the chief officer of products of the Group since he joined the Group in April 2013. He is responsible for the product development and planning of the Group.

Prior to joining the Group, Mr. Xue was an officer of Jiangsu Tianjue Motorcycle Technology Co., Ltd. (江蘇天爵機車科技有限公司) between October 2006 and February 2010, and was the officer of Longxin Motorcycle Co., Ltd. (隆鑫摩托有限公司) between July 1997 and October 2006.

Mr. Xue graduated from Chongqing Yuzhou University (重慶渝州大學) with a tertiary qualification in Automobiles Manufacturing in June 1997.

Mr. Xu Shuchang (**許舒暢**), aged 36, has been the vice president of the Group since December 2017, the deputy general manager of Yadea Sales since October 2014 and is responsible for the business operations of Yadea Sales. Mr. Xu joined the Group in February 2007 as the assistant of the general manager of Zhejiang Yadea and was the deputy general manager of our Wuxi facility between May 2013 and October 2014.

Mr. Xu graduated from Zhengzhou University of Light Industry (鄭州輕工業學院) with a bachelor's degree in Electronic and Information Engineering in July 2006.

Mr. Wang Jinlong (王金龍), aged 44, has been the technical supervisor of Yadea Group since October 2014 and is responsible for the operations of our research and development center. Mr. Wang first joined the Group in April 2004 as a production deputy manager of Jiangsu Yadea. Mr. Wang left the Group temporarily in December 2006 and became the general manager of Wuxi Auspicious Lion Technology Co., Ltd. (無錫吉祥獅科技有限公司) from February 2007 to May 2012. Mr. Wang rejoined the Group in October 2012 as the deputy general manager of Jiangsu Yadea and became the supervisor of our research and development center for electric scooters between July 2013 and October 2014.

Mr. Wang graduated from Zhenjiang Shipping College (鎮江船舶學院) (currently known as Jiangsu University of Science and Technology (江蘇科技大學)) with a bachelor's degree in Welding Materials and Engineering in July 1996.

JOINT COMPANY SECRETARIES

Mr. Shen Yu (沈瑜) was appointed as the Joint Company Secretary on 19 January 2015. For details of Mr. Shen, please refer to the "Directors–Executive Directors" sub-section above.

Ms. Wong Sau Ping (黃秀萍) was appointed as the Joint Company Secretary on 19 January 2015. Ms. Wong is a senior manager of the listing services department of TMF Hong Kong Limited. She has over 15 years of professional experience in the company secretarial field and has acquired extensive knowledge and experience in corporate governance and compliance affairs of listed companies. Ms. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

Ms. Wong works closely with Mr. Shen to jointly discharge the duties and responsibilities as Joint Company Secretaries.

The Directors are pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands with limited liability. Its registered office is situated in the Cayman Islands and its operation headquarter is located at Wuxi, Jiangsu Province, China.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company's subsidiaries were principally engaged in the development, manufacture and sale of electric two-wheeled vehicles and related accessories in China. The principal activities and other details of subsidiaries of the Company are set out in note 1 to the financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As the manufacturer and seller of electric two-wheeled vehicles, the Company attaches great importance to environmental protection. We strictly comply with each of the local regulations in the regions where we conduct production and operation and properly implement various environmental policies regarding our actual situations in production and operation. Before establishing production facilities and expanding production scale, the Company has already obtained all necessary approvals and permits from relevant government authorities. Environmental policies and performance, please refer to the section headed "Summary of Environmental, Social and Governance Report" in the corporate governance report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company was established in the Cayman Islands with its principal business conducted in the PRC, and its shares (the "**Shares**") are listed on the Stock Exchange. Therefore, our establishment and operation are subject to relevant laws in the Cayman Islands, the PRC and Hong Kong. For the year ended 31 December 2017 and up to the date of this annual report, we complied with relevant laws and regulations in Cayman Islands, the PRC, and Hong Kong.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group respects its people. We offer reasonable remunerations to our employees and continuously modify systems such as remunerations and benefits, training, occupational health and safety for the purpose of retaining talents. Reviews and updates will be conducted on a regular basis. The Group has a good relationship with its customers. To perfect our services, the Group sets up a customer complaint management system, including collection of complaints, analytic research and provision of recommendations for improvement.

The Group has a good relationship with its suppliers and conducts audits on its suppliers in a fair and strict manner every year. For key relationships between the Company and its employees, customers and suppliers, please refer to the section headed "Summary of Environmental, Social and Governance Report" in the Corporate Governance Report.

SUBSIDIARIES

Please refer to note 34 of the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated financial statements.

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2017 and for the past three financial years are set out from page 4 to page 5 of this annual report.

RESERVES

As at 31 December 2017, distributable reserves of the Group amounted to RMB1,521 million. Details of movements in reserves of the Group during the year are set out in consolidated statement of changes in equity.

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 (the "**Proposed Final Dividend**") (for the year ended 31 December 2016: 4.0 HK cents per ordinary Share). The Proposed Final Dividend is subject to the approval of the Shareholders at the forthcoming 2018 AGM and the Proposed Final Dividend will be paid on Tuesday, 3 July 2018 to Shareholders whose names appear on the register of members of the Company on Friday, 15 June 2018.

ANNUAL GENERAL MEETING

The 2018 AGM will be held on Wednesday, 6 June 2018. Notice of the 2018 AGM will be published and issued to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Friday, 1 June 2018 to Wednesday, 6 June 2018, both dates inclusive, during which time no transfer of Shares will be registered. To qualify for attending and voting at the 2018 AGM, Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant Share certificates, to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 31 May 2018 for registration of the relevant transfer.

For determining the entitlement of Shareholders to receive the Proposed Final Dividend, the register of members of the Company will be closed from Wednesday, 13 June 2018 to Friday, 15 June 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to eligible to receive the Proposed Final Dividend, all transfer of Shares, accompanied by the relevant shares certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22 Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 12 June 2018 for registration of the relevant transfer.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2017 are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 27 to the financial statements. For the year ended 31 December 2017, there was no issuance of bonds by the Company.

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.

A review and analysis of the Group's business, results and performance during the year ended 31 December 2017, the discussion and analysis of the key factors of its results and financial performance, the risk factors and risk management and the prospect for future development are set out in the section headed "Management Discussion & Analysis" from page 8 to page 12 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTY

The Group has limited foreign exchange exposure arising from international sales. For further details, please refer to the section headed "Liquidity and Financial Resources – Foreign currency risk" under the Management Discussion & Analysis in this annual report.

IMPORTANT EVENTS

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 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.

Saved as disclosed above, there is no important event after 31 December 2017.

FUTURE DEVELOPMENT

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 KEY PERFORMANCE INDICATORS

For the reporting period, our revenue increased by approximately 17.8% to approximately RMB7,850.4 million as compared with the corresponding period in 2016. Our gross profit decreased by approximately 13.6% to approximately 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 approximately RMB404.7 million as compared with the corresponding period in 2016.

USE OF PROCEEDS FROM GLOBAL OFFERING

On the Listing Date, the Company issued 750 million Shares at an offer price of HK$1.72 per Share on the Stock Exchange by global offering. The net proceeds from the global offering (after deducting the underwriting fees and commissions and other expenses payable by the Company in connection with the global offering) amounted to approximately HK$1,074.0 million (equivalent to approximately RMB907.3 million). The net proceeds will be applied in the following manner:

- approximately 50% (approximately RMB453.7 million), will be used to improve the distribution and sales as well as marketing including (i) brand promotion, advertising and marketing (approximately 19%), (ii) expansion of the distributor points of sales overhaul campaign (approximately 16%), (iii) expansion of the international sales (approximately 10%), and (iv) development of the online platform, including online sales promotion and marketing (approximately 5%);

- approximately 30% (approximately RMB272.2 million), will be used for the 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% (approximately RMB90.7 million), will be used 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% (approximately RMB90.7 million), will be used for general working capital.

As at the date of this annual report, there were no changes of business plan from that disclosed in the Company's prospectus dated 9 May 2016 (the "**Prospectus**"). Approximately 59% of the net proceeds had been utilized, including approximately 28% being used to improve the distribution and sales as well as marketing, approximately 11% being used for the business expansion, and approximately 10% being used for the research and development, which was consistent with the use of proceeds as disclosed in the Prospectus.

CONNECTED TRANSACTIONS

Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules

*(I) PROVISION OF PLASTIC COMPONENT PAINTING SERVICES BY WUXI COLORFUL METAL COATING CO., LTD. (無錫七彩金屬塗裝有限公司) ("**WUXI COLORFUL**")*

On 4 May 2016, the Company and Wuxi Colorful entered into a framework service agreement, pursuant to which Wuxi Colorful has agreed to provide plastic component painting services to the Group for a three-year period commencing from the Listing Date and ending on 31 December 2018. The annual purchase amount from Wuxi Colorful is determined with reference to the historical amount the Group purchased from Wuxi Colorful with respect to plastic component painting services for the three years ended 31 December 2014, 2015 and 2016 and the expected number of plastic components that will require painting services from Wuxi Colorful in 2016, 2017 and 2018 in view of the Group's goal to decrease the transaction amount with the connected suppliers and based on the production plans as well as the capability to source plastic component painting services from alternate third-party suppliers.

The transactions between the Company and Wuxi Colorful for the year ended 31 December 2017 amounted to nil. The annual caps under the framework service agreement for each of the three years ending 31 December 2018 will be RMB6,800,000, RMB3,000,000 and nil, respectively.

Wuxi Colorful is owned as to 30% by Ms. Qian Jingfang (錢靜芳), who is the sister of Ms. Qian Jinghong, and 70% by Mr. Wan Weizeng (萬偉增), who is the uncle-in-law of Ms. Qian Jingfang. Wuxi Colorful is therefore an associate of Ms. Qian Jinghong and the connected person of the Company under Chapter 14A of the Listing Rules and the entering of the framework service agreement with Wuxi Colorful constitute as a connected transaction of the Company.

*(II) PURCHASES OF SHOCK ABSORBERS AND FRONT FORKS FROM WUXI DAEN VEHICLE INDUSTRY CO., LTD. (無錫市大恩車業有限公司) ("**WUXI DAEN**")*

On 4 May 2016, the Company and Wuxi Daen entered into a framework service agreement, pursuant to which Wuxi Daen has agreed to provide shock absorbers and front forks to the Group for a three-year period commencing from the Listing Date and ending on 31 December 2018. The annual purchase amount from Wuxi Daen is determined with reference to the historical values of shock absorbers and front forks the Group purchased from Wuxi Daen for the three years ended 31 December 2014, 2015 and 2016, the past changes in the prices of shock absorbers and front forks for the three years ended 31 December 2014, 2015 and 2016 and the expected transaction volumes in 2016, 2017 and 2018, in view of the goal to decrease the transaction amount with the connected supplier and based on the production plans as well as the capability to source shock absorbers and front forks from alternate third-party suppliers.

The transactions between the Company and Wuxi Daen for the year ended 31 December 2017 amounted to nil. The annual caps under the framework service agreement for each of the three years ending 31 December 2018 will be RMB9,100,000, nil and nil, respectively.

Wuxi Daen is owned as to 80% by Mr. Dong Zhiqiang (董郅強), who is the brother of Mr. Dong Jinggui, and 20% by Ms. Wu Haiyan (吳海燕), who is the wife of Mr. Dong Zhiqiang. Wuxi Daen is therefore an associate of Mr. Dong Jinggui and the connected person of the Company under Chapter 14A of the Listing Rules and the entering of the framework service agreement with Wuxi Daen constitute as a connected transaction of the Company.

*(III) PURCHASES OF ELECTRIC MOTORS AND METERS AND RELATED COMPONENTS FROM WUXI XINGWEI VEHICLE FITTINGS CO., LTD. (無錫市星偉車輛配件有限公司) ("**WUXI XINGWEI**")*

On 4 May 2016, the Company and Wuxi Xingwei entered into a framework service agreement, pursuant to which Wuxi Xingwei has agreed to provide electric motors and meters and related components to the Group for a three-year period commencing from the Listing Date and ending on 31 December 2018. The annual purchase amount from Wuxi Xingwei is determined with reference to the historical values of electric motors and meters and related components the Group purchased from Wuxi Xingwei for the three years ended 31 December 2014, 2015 and 2016, the past changes in the prices of electric motors and meters and related components for the three years ended 31 December 2014, 2015 and 2016 and the expected transaction volumes in 2016, 2017 and 2018, in view of the goal to decrease the transaction amount with the connected supplier and based on the production plans as well as the capability to source electric motors and meters and related components from alternate third party suppliers.

The transactions between the Company and Wuxi Xingwei for the year ended 31 December 2017 amounted to approximately RMB36,600,000. The annual caps under the framework service agreement for each of the three years ending 31 December 2018 will be RMB93,200,000, RMB45,900,000 and RMB25,000,000, respectively.

Wuxi Xingwei is owned as to 40% by Ms. Qian Jingjuan (錢靜娟), who is the cousin of Ms. Qian Jinghong, and 60% by Mr. Zhou Wei (周偉), who is the husband of Ms. Qian Jingjuan. Wuxi Xingwei is therefore an associate of Mr. Qian Jinghong and the connected person of the Company under Chapter 14A of the Listing Rules and the entering of the framework service agreement with Wuxi Xingwei constitute as a connected transaction of the Company.

*(IV) PURCHASES OF VEHICLE FRAMES FROM DONGGUAN HANRUN VEHICLE FITTINGS CO., LTD. (東莞市漢潤車輛配件有限公司) ("**DONGGUAN HANRUN**")*

On 4 May 2016, the Company and Dongguan Hanrun entered into a framework service agreement, pursuant to which Dongguan Hanrun has agreed to provide vehicle frames to the Group for a three-year period commencing from the Listing Date and ending on 31 December 2018. The annual purchase amount from Dongguan Hanrun is determined with reference to the historical values of vehicle frames the Group purchased from Dongguan Hanrun for the three years ended 31 December 2014, 2015 and 2016, the past changes in the prices of vehicle frames for the three years ended 31 December 2014, 2015 and 2016 and the expected transaction volumes in 2016, 2017 and 2018, in view of the goal to decrease the transaction amount with the connected supplier and based on the production plans as well as the capability to source vehicle frames from alternate third party suppliers.

The transactions between the Company and Dongguan Hanrun for the year ended 31 December 2017 amounted to nil. The annual caps under the framework service agreement for each of the three years ending 31 December 2018 will be RMB10,200,000, nil and nil, respectively.

Dongguan Hanrun is wholly owned by Mr. Yang Yong (楊勇), the cousin of Mr. Dong Jinggui. Wuxi Xingwei is therefore an associate of Mr. Dong Jinggui and the connected person of the Company under Chapter 14A of the Listing Rules and the entering of the framework service agreement with Dongguan Hanrun constitute as a connected transaction of the Company.

*(V) PURCHASES OF FRONT FORKS FROM NINGBO SUOGAO SHOCK ABSORBER CO., LTD. (寧波索高減震器有限公司) ("**NINGBO SUOGAO**")*

On 4 May 2016, the Company and Ningbo Suogao entered into a framework service agreement, pursuant to which Ningbo Suogao has agreed to provide front forks to the Group for a three-year period commencing from the Listing Date and ending on 31 December 2018. The annual purchase amount from Ningbo Suogao is determined with reference to the historical values of front forks the Group purchased from Ningbo Suogao for the three years ended 31 December 2014, 2015 and 2016, the past changes in the prices of front forks for the three years ended 31 December 2014, 2015 and 2016 and the expected transaction volumes in 2016, 2017 and 2018, in view of the goal to decrease the transaction amount with the connected supplier and based on the production plans as well as the capability to source front forks from alternate third party suppliers.

The transactions between the Company and Ningbo Suogao for the year ended 31 December 2017 amounted to nil. The annual caps under the framework service agreement for each of the three years ending 31 December 2018 will be RMB24,600,000, nil and nil, respectively.

Ningbo Suogao is owned as to 80% by Mr. Dong Jingzhi (董經智), the brother of Mr. Dong Jinggui, and 20% by Ms. Luo Haiyan (羅海燕), who is the wife of Mr. Dong Jingzhi. Ningbo Suogao is therefore an associate of Mr. Dong Jinggui and the connected person of the Company under Chapter 14A of the Listing Rules and the entering of the framework service agreement with Ningbo Suogao constitute as a connected transaction of the Company.

*(VI) PURCHASES OF ELECTRIC MOTORS AND METERS AND RELATED COMPONENTS FROM TIANJIN XINGWEI ELECTRIC PARTS CO., LTD. (天津市星偉電動車配件有限公司) ("**TIANJIN XINGWEI**")*

On 4 May 2016, the Company and Tianjin Xingwei entered into a framework service agreement, pursuant to which Tianjin Xingwei has agreed to provide electric motors and meters and related components to the Group for a three-year period commencing from the Listing Date and ending on 31 December 2018. The annual purchase amount from Tianjin Xingwei is determined with reference to the historical values of electric motors and meters and related components the Group purchased from Tianjin Xingwei for the three years ended 31 December 2014, 2015 and 2016, the past changes in the prices of electric motors and meters and related components for the three years ended 31 December 2014, 2015 and 2016 and the expected transaction volumes in 2016, 2017 and 2018, in view of the goal to decrease the transaction amount with the connected supplier and based on the production plans as well as the capability to source electric motors and meters and related components from alternate third party suppliers.

The transactions between the Company and Tianjin Xingwei for the year ended 31 December 2017 amounted to approximately RMB6,001,000. The annual caps under the framework service agreement for each of the three years ending 31 December 2018 will be RMB22,500,000, RMB6,700,000 and nil, respectively.

Tianjin Xingwei is owned as to 10% by Ms. Qian Jingjuan (錢靜娟), who is the cousin of Ms. Qian Jinghong, and 90% by Mr. Zhou Wei (周偉), who is the husband of Ms. Qian Jingjuan. Tianjin Xingwei is therefore an associate of Ms. Qian Jinghong and the connected person of the Company under Chapter 14A of the Listing Rules and the entering of the framework service agreement with Tianjin Xingwei constitute as a connected transaction of the Company.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions above of the Group.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company must be engaged to perform certain agreed-upon procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditor of the Company will provide a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the Directors;

(ii) were entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iii) did not exceed the annual cap amounts.

A copy of the auditor's letter will be provided by the Company to the Stock Exchange.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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 purchased, sold or redeemed any of the Company's listed securities.

CONTINGENT LIABILITIES

For details of the Group's contingent liabilities, please refer to the section headed "Liquidity and Financial Resources" under the Management Discussion & Analysis in this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

As at the end of the reporting period, according to the laws of the Cayman Islands, holders of listed securities of the Company are not entitled to tax relief for their status as the holder of such securities.

PERMITTED INDEMNITY PROVISION

As at the date of this annual report, all Directors were covered under the liability insurance purchased by the Company for the Directors.

CHARITABLE DONATIONS

During the reporting period, the Group made no material charitable and other donations.

NON-COMPETITION UNDERTAKING FROM CONTROLLING SHAREHOLDERS

As disclosed in the Prospectus, the Company entered into a deed of non-competition (the "**Non-Competition Deed**") with Mr. Dong Jinggui, Ms. Qian Jinghong, Dai Wei Investment Company Limited (the "**Dai Wei**") and Fang Yuan Investment Company Limited (the "**Fang Yuan**") (collectively, the "**Controlling Shareholders**") on 22 April 2016, under which the Controlling Shareholders jointly and severally agreed not to, whether as principal or agent and whether undertaken directly or indirectly (including through any associate, subsidiary, partnership, joint venture or other contractual arrangement of theirs) and whether for profit or otherwise, carry on, engage, invest, participate or hold any right or be interested in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, or is likely to be in competition, directly or indirectly, with the business referred to in the Prospectus that is carried on or contemplated to be carried on by any member of the Group.

Notwithstanding the above, the foregoing restrictions do not preclude any of the Controlling Shareholders from having any interest in Shares of not more than 5% in any company which is or whose holding company is listed on any recognised the Stock Exchange even though the business carried out by such company is or is likely to be in competition with the business, provided that the aggregate number of Shares held by the Controlling Shareholders does not exceed 5% of the issued Shares of such company and none of the Controlling Shareholders is a director of such company or is entitled to appoint any director of such company.

Each of the Controlling Shareholders has undertaken in the Non-Competition Deed that during the term of the Non-Competition Deed, if a new business opportunity is made available to any Controlling Shareholder or its/his/her respective associates, such Controlling Shareholder will or will procure its/his/her associates to notify the Company in writing and provide to the Company all information that is reasonably necessary for the Company to consider whether or not to pursue such business opportunity. For details of the Non-Competition Deed, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in the Prospectus.

The Company has received confirmations from the Controlling Shareholders confirming their compliance with the Non-Competition Deed for disclosure in this annual report for the year ended 31 December 2017.

The independent non-executive Directors have also reviewed the compliance and enforcement status of the Non-Competition Deed, and are of the view that the Controlling Shareholders have abided by the undertakings contained in the Non-Competition Deed for the year ended 31 December 2017.

DIRECTORS

The Directors during the financial year and up to the date of this annual report were:

Executive Directors	Mr. Dong Jinggui *(Chairman)* Ms. Qian Jinghong Mr. Liu Yeming *(Chief Executive Officer)* Mr. Shi Rui Mr. Shen Yu
Independent non-executive Directors	Mr. Li Zongwei Mr. Wu Biguang Mr. Yao Naisheng

In accordance with the Articles of Association, Mr. Liu Yeming, Mr. Shi Rui and Mr. Shen Yu will retire at the 2018 AGM to be held on Wednesday, 6 June 2018 and, being eligible, offer themselves for re-election at the 2018 AGM.

None of the Directors proposed for re-election at the forthcoming 2018 AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' SERVICE CONTRACTS

Save for those disclosed in this annual report, each of the executive Directors has entered into a service contract with the Company on 22 April 2016 for an initial term of three years commencing from the Listing Date unless terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years commencing from the Listing Date.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the reporting period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Save for those disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, subsisted at any time during the year ended 31 December 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed that none of the Directors has any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Company was incorporated in the Cayman Islands on 17 July 2014 as an exempted company with limited liability and the Shares were listed on the Main Board of the Stock Exchange on the Listing Date.

As at the date of this annual report, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number of Shares (Note 5)	Approximate percentage of shareholding (Note 6)
Mr. Dong Jinggui (Notes 1 & 3)	Interest of controlled corporation/interest of concert parties	1,992,010,943 (L)	66.4%
Ms. Qian Jinghong (Notes 2 & 3)	Interest of controlled corporation/interest of concert parties	1,992,010,943 (L)	66.4%
Mr. Liu Yeming (Note 4)	Interest of controlled corporation	35,348,837 (L)	1.2%

Notes:

(1) Mr. Dong Jinggui holds the entire issued share capital of Dai Wei, which in turn owns 1,399,398,084 Shares. By virtue of Part XV of the SFO, Mr. Dong Jinggui is deemed to be interested in the Shares held by Dai Wei.

(2) Ms. Qian Jinghong holds the entire issued share capital of Fang Yuan, which in turn owns 592,612,859 Shares. By virtue of Part XV of the SFO, Ms. Qian Jinghong is deemed to be interested in the Shares held by Fang Yuan.

(3) Pursuant to the Concert Parties Arrangement, Mr. Dong Jinggui and Ms. Qian Jinghong confirmed that they are parties acting in concert in relation to the exercise of their voting rights at the meetings of the Shareholders and the Board. They have also further undertaken that during the period when they remain interested in, directly or indirectly, the Shares, they will continue to act in accordance with the Concert Parties Arrangements As such, Mr. Dong Jinggui and Ms. Qian Jinghong, together with their respective holding companies (being Dai Wei and Fang Yuan), are all deemed to be interested in the total Shares held by Dai Wei and Fang Yuan.

(4) Mr. Liu Yeming holds the entire issued share capital of Ke Ding International Company Limited, which in turn holds 35,348,837 Shares. By virtue of Part XV of the SFO, Mr. Liu Yeming is deemed to be interested in the Shares held by Ke Ding International Company Limited.

(5) The letter "L" denotes long position in such securities.

(6) The percentage of shareholding was calculated based on Company's total issued Share capital of 3,000,000,000 Shares as at 31 December 2017.

Save as disclosed above, as at the date of this annual report, none of the Directors, chief executives of the Company and their respective associates had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisitions of Shares or in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS OF THE SHAREHOLDERS UNDER THE SFO

As at the date of this annual report, the interests or short positions of substantial Shareholders, other than the Directors or chief executives of the Company whose interests and short positions in the Shares and of its associated corporations (within the meaning of Part XV of the SFO) as set out below, had 5% or more interests or short positions in the Shares and underlying Shares as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number of Shares or securities held(Note 4)	Approximate percentage of issued share capital(Note 5)
Dai Wei (Notes 1 & 3)	Beneficial interest/interest of concert parties	1,992,010,943 (L)	66.4%
Fang Yuan (Notes 2 & 3)	Beneficial interest/interest of concert parties	1,992,010,943 (L)	66.4%

Notes:

(1) Mr. Dong Jinggui directly holds the entire share capital of Dai Wei and is deemed to be interested in the Shares held by Dai Wei.

(2) Ms. Qian Jinghong directly holds the entire share capital of Fang Yuan and is deemed to be interested in the Shares held by Fang Yuan.

(3) Pursuant to the Concert Parties Arrangement, Mr. Dong Jinggui and Ms. Qian Jinghong confirmed that they are parties acting in concert in relation to the exercise of their voting rights at the meetings of the Shareholders and the Board. They have also further undertaken that during the period when they remain interested in, directly or indirectly, the Shares, they will continue to act in accordance with the Concert Parties Arrangements As such, Mr. Dong Jinggui and Ms. Qian Jinghong, together with their respective holding companies (being Dai Wei and Fang Yuan), are all deemed to be interested in the total Shares held by Dai Wei and Fang Yuan.

(4) The letter "L" denotes long position in such securities.

(5) The percentage of shareholding was calculated based on Company's total issued share capital of 3,000,000,000 Shares as at 31 December 2017.

SHARE OPTION SCHEME

On 22 April 2016, the Shareholder approved and adopted a share option scheme (the "**Share Option Scheme**") conditionally upon the approval by the Stock Exchange of the listing of, and permission to deal in, any Shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme. The Company received such approval from the Stock Exchange on 18 May 2016.

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares:

(i) any Directors and employees of any member of the Group; and

(ii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the aggregate of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents 300,000,000 Shares (the "**General Scheme Limit**"). The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "**Individual Limit**"). Any further grant of share options in excess of either the General Scheme Limit or the Individual Limit is subject to Shareholders' approval in a general meeting of the Company.

Share options granted to a Director, chief executive of the Company or substantial Shareholder, or to any of their associates, are subject to approval by the independent non-executive Directors. In addition, any share options granted to a substantial Shareholder or an independent non-executive Director, or to any of their associates, representing in aggregate over 0.1% of the Shares in issue at any time or with an aggregate value (based on the closing price of the Shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.

An option may be accepted by a participant to whom the offer is made within five business days from the date on which the letter containing the offer is delivered to that participant. A nominal consideration of HK$1 is payable upon acceptance of the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than ten years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the global offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

During the year ended 31 December 2017 and up to the date of this annual report, no option has been granted or agreed to be granted under the Share Option Scheme.

Save as disclosed above, during the year ended 31 December 2017 and up to the date of this annual report, the Company and its subsidiaries have not issued or granted any convertible securities, options, warrants or other similar rights. The Company did not issued equity securities in consideration of cash. The Share Option Scheme will remain in force for a period of 10 years commencing from 22 April 2016.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the reporting period or subsisted at the end of the reporting period.

EMOLUMENT POLICY

The emolument policy of the general staff of the Company is set up by the management of the Group on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management of the Company are proposed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, subject to the final decision by the Board.

The remuneration of the Directors and five highest paid individuals of the Company are set out in note 10 to the financial statements respectively. For the remuneration of senior management of the Company, please refer to the section headed "Remuneration Committee" above.

To the knowledge of the Company, as at the date of this annual report, none of the Directors had waived or agreed to waive any arrangement for emolument.

Particulars of pension schemes of the Group as at 31 December 2017 are set out in note 3 to the financial statements.

Pursuant to the applicable PRC laws and regulations, the Group participates to contribute to various security insurance including social insurance and having provident fund.

No forfeited contributions are available to reduce the contribution payable by the Group in the future years.

PERMITTED INDEMNITY PROVISION

Pursuant to article 191 of the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise.

MAJOR CUSTOMERS AND SUPPLIERS

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year under review, and sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year, no major customer segment information is presented in accordance with HKFRS 8 Operating Segments.

The aggregate purchase attributable to the Group's five largest suppliers accounted for approximately 36% and the largest supplier accounted for approximately 17% of the Group's total purchases for the year ended 31 December 2017.

At no time during the year ended 31 December 2017 have the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2017 and up to the date of this annual report, the Company has maintained the prescribed public float as required by the Listing Rules.

AUDITOR

On 6 September 2017, Ernst & Young resigned as the auditor of the Company and on 7 September 2017, Deloitte Touche Tohmatsu was appointed as the new auditor of the Company to fill the casual vacancy and to hold office until the conclusion of the forthcoming 2018 AGM.

The external auditor of the Company, Deloitte Touche Tohmatsu, will retire and a resolution for their reappointment as the external auditor of the Company will be proposed at the forthcoming 2018 AGM.

On behalf of the Board
Dong Jinggui
Chairman

22 March 2018

Deloitte.
德勤

To the shareholders of Yadea Group Holdings Ltd.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Yadea Group Holdings Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 46 to 100, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of wealth management products	
We identified valuation of wealth management products as a key audit matter due to the significance of the balance on the consolidated statement of financial position as at 31 December 2017 and the significant management estimation involved in determining the fair value of wealth management products. Management assessed the fair value of the wealth management products based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. The process of assessing the fair value required management to make estimates about expected future cash flows, credit risk, interest rates, exchange rates and discount rates, which was complex and subject to uncertainty. Details of the key estimation uncertainties, fair value of wealth management product are disclosed in notes 4, 21 and 32, respectively, to the consolidated financial statements.	Our procedures in relation to valuation of wealth management products included: • Testing the internal controls relevant to our audit on the valuation of wealth management products; • Evaluating the appropriateness of the valuation methodology and assumptions used with the assistance from our internal valuation specialists; and • Tracing the contract terms used in the valuation to the contracts of the wealth management products on a sample basis.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Capitalisation of prepaid decoration expenses	
We identified capitalisation of prepaid decoration expenses as a key audit matter due to the high level of management judgement when deciding the capitalisation of the prepaid decoration expenses. Management judgement was involved in the assessment of whether to capitalise the prepaid decoration expenses, and subsequent amortisation period, management is required to review the performance of each distributor to determine the likelihood of future economic benefits for the capitalisation of the decoration expenses. Details of the critical management judgement, prepaid decoration expenses are disclosed in notes 4 and 19, respectively, to the consolidated financial statements.	Our procedures in relation to capitalisation of prepaid decoration expenses included: • Testing the internal controls relevant to our audit on the capitalisation of the prepaid decoration expenses; • Tracing to the agreements with distributors for the prepaid decoration expenses capitalised on a sample basis; • Performing site visits on a sample basis to confirm with distributors the existence of the decoration arrangement and to observe the result of the decoration; • Obtaining the sales budget provided by the distributors to the management and challenging the basis of preparation with reference to the past trading history with those distributors; and • Comparing the amortisation period with the agreed terms in the agreements with distributors.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting progress.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Solely to you, as a body, in accordance with our aged terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 10 March 2017.

The engagement partner on the audit resulting in the independent auditor's report is Mak Chi Lung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
REVENUE	5(a)	**7,850,436**	6,662,139
Cost of sales	8(a)	**(6,682,040)**	(5,309,375)
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	7	**–**	(216)
PROFIT BEFORE TAX	8	**479,328**	554,416
Income tax expense	9	**(74,326)**	(124,287)
PROFIT FOR THE YEAR		**405,002**	430,129
Profit for the year attributable to:			
Owners of the Company		**404,698**	430,129
Non-controlling interests		**304**	–
		405,002	430,129
Earnings per share			
Basic (cents per share)	12	**13.5**	16.2
Diluted (cents per share)	12	**N/A**	15.8

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Year ended 31 December 2017 RMB'000	2016 RMB'000 (restated)
PROFIT FOR THE YEAR	**405,002**	430,129
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	**(108,993)**	108,921
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating 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

At 31 December 2017

	Notes	31 December 2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,081,115**	732,980
Prepaid land lease payments	14	**285,592**	292,839
Intangible assets	15	**15,938**	16,966
Available-for-sale investments	16	**14,068**	14,683
Prepayments, deposits and other receivables	19	**75,155**	59,413
Deferred tax assets	26	**15,275**	19,106
		1,487,143	1,135,987
CURRENT ASSETS			
Inventories	17	**338,143**	205,000
Trade and bills receivables	18	**57,386**	279,691
Prepayments, deposits and other receivables	19	**368,706**	255,176
Receivable from a third party	20	**175,541**	–
Wealth management products	21	**2,700,394**	1,411,630
Pledged bank deposits	22	**889,537**	777,073
Cash and cash equivalents	23	**988,272**	1,801,405
		5,517,979	4,729,975
CURRENT LIABILITIES			
Trade and bills payables	24	**4,032,665**	3,287,399
Other payables and accruals	25	**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
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,477,104**	2,220,570
CAPITAL AND RESERVE			
Share capital	27	**188**	188
Share premium and reserves		**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

The consolidated financial statements on page 46 to 100 were approved and authorised for issue by the board of directors on 22 March 2018.

Jinggui Dong
Director

Jinghong Qian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital RMB'000	Merger reserve (i) RMB'000	Share premium account RMB'000	Statutory reserve (ii) RMB'000	Translation reserve RMB'000	Share award reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	135	(121,024)	10,124	65,712	926	75,574	750,390	781,837	–	781,837
Profit for the year	–	–	–	–	–	–	430,129	430,129	–	430,129
Other comprehensive income for the year, net of income tax	–	–	–	–	53,552	–	–	53,552	–	53,552
Total comprehensive income for the year	–	–	–	–	53,552	–	430,129	483,681	–	483,681
Capitalisation issue of shares	6	–	(6)	–	–	–	–	–	–	–
Issuance of shares for the initial-public offering ("**IPO**")	47	–	1,044,791	–	–	–	–	1,044,838	–	1,044,838
Share issue expenses	–	–	(89,786)	–	–	–	–	(89,786)	–	(89,786)
Transfer to statutory reserve	–	–	–	33,831	–	–	(33,831)	–	–	–
At 31 December 2016	188	(121,024)	965,123	99,543	54,478	75,574	1,146,688	2,220,570	–	2,220,570
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**404,698**	**404,698**	**304**	**405,002**
Other comprehensive expense for the year, net of income tax	**–**	**–**	**–**	**–**	**(49,552)**	**–**	**–**	**(49,552)**	**–**	**(49,552)**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**–**	**(49,552)**	**–**	**404,698**	**355,146**	**304**	**355,450**
Dividends	**–**	**–**	**(104,916)**	**–**	**–**	**–**	**–**	**(104,916)**	**–**	**(104,916)**
Transfer of statutory reserve to retained profits due to deregistration of a subsidiary	**–**	**–**	**–**	**(5,000)**	**–**	**–**	**5,000**	**–**	**–**	**–**
Transfer to statutory reserve	**–**	**–**	**–**	**35,009**	**–**	**–**	**(35,009)**	**–**	**–**	**–**
Non-controlling interest arising on set up of a new subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,000**	**6,000**
At 31 December 2017	**188**	**(121,024)**	**860,207**	**129,552**	**4,926**	**75,574**	**1,521,377**	**2,470,800**	**6,304**	**2,477,104**

(i) The merger reserve of the Group arise as a result of the restructuring of the Group companies.

(ii) In accordance with the People Republic of China (as "**PRC**") regulations and the articles of association of the companies of the Group, before distributing the net profit of each year, companies of the Group registered in the PRC are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory reserve. When the balance of this reserve reaches 50% of each company's registered capital, any further appropriation is optional. The statutory reserve is non-distributable except in the event of liquidation. Subject to certain restrictions set out in the relevant PRC regulations, part of the statutory reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**479,328**	554,416
Adjustments for:			
Finance costs	7	**–**	216
Bank interest income	5(b)	**(25,983)**	(13,414)
Net gain on disposal of property, plant and equipment	5(b)	**(282)**	(854)
Depreciation of property, plant and equipment	8(c)	**75,731**	63,123
Amortisation of prepaid land lease payments	8(c)	**7,246**	5,276
Amortisation of intangible assets	8(c)	**5,720**	3,877
Provision for impairment of trade receivables	8(c)	**–**	354
Gains on financial assets at fair value through profit or loss	5(b)	**(85,247)**	(37,161)
		456,513	575,833
(Increase)/Decrease in pledged bank deposits		**(112,464)**	1,983
Decrease/(Increase) in trade and bills receivables		**222,305**	(96,820)
Increase in prepayments, deposits and other receivables		**(133,514)**	(6,078)
Increase in inventories		**(133,143)**	(63,509)
Increase in trade and bills payables		**745,266**	406,968
Increase in other payables and accruals		**158,777**	21,646
Cash generated from operations		**1,203,740**	840,023
Income tax paid		**(100,110)**	(88,043)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,103,630**	751,980

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Interest received from bank deposits		**25,983**	13,414
Purchases of items of property, plant and equipment		**(417,820)**	(131,693)
Proceeds from disposal of property, plant and equipment		**6,679**	4,080
Additions to prepaid land lease payments		**–**	(77,503)
Additions to intangible assets		**(4,692)**	(1,726)
Redemption of wealth management products		**23,628,294**	12,373,331
Purchase of wealth management products		**(24,917,058)**	(12,906,100)
Purchase of available-for-sale investments		**–**	(6,460)
Interest received from financial products		**85,247**	–
Loan to a third party		**(175,541)**	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(1,768,908)**	(732,657)
FINANCING ACTIVITIES			
Capital contribution from non-controlling interests for a new subsidiary		**6,000**	–
Repayment of bank loans		**–**	(12,997)
Interest paid		**–**	(216)
Dividends paid to the shareholders of the Company	11	**(104,916)**	–
Proceeds from issue of shares for the IPO		**–**	1,044,838
Share issue expenses		**–**	(89,786)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(98,916)**	941,839
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(764,194)**	961,162
Cash and cash equivalents at beginning of year		**1,801,405**	786,691
Effect of foreign exchange rate changes		**(48,939)**	53,552
CASH AND CASH EQUIVALENTS AT END OF YEAR		**988,272**	1,801,405
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**797,972**	1,454,555
Fixed deposits	23	**190,300**	346,850

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, Grand Cayman KY1-1108, Cayman Islands, and the principle 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 "**Hong Kong 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 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. Jinghong Qian (the "**Controlling Shareholders**").

In the opinion of the Directors, the ultimate holding companies of the Company are Dai Wei Investment Company Limited and Fang Yuan Investment Company Limited, which are incorporated in British Virgin Islands.

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

2. 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its associate or Joint Venture*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, and general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 16, these securities qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains and losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of HKFRS 9, the fair value gain relating to the securities would be adjusted to investment revaluation reserve as at 1 January 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (Continued)

New And Revised HKFRSs In Issue But Not Yet Effective (Continued)

HKFRS 9 FINANCIAL INSTRUMENTS (Continued)

Classification and measurement (Continued)

Bills receivables are been endorsed time to time. In the management's opinion, the bills receivables will be measured at FVTOCI upon application of HKFRS9.

All other financial assets and financial liabilities continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (Continued)

New and revised HKFRS in issue but not yet effective (Continued)

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 LEASES

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (Continued)

New and Revised HKFRS in Issue but Not Yet Effective (Continued)

HKFRS 16 LEASES (Continued)

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB60,040,000 as disclosed in note 30(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared in accordance with HKFRS 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 of Hong Kong Limited ("**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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 Group'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".

The principal accounting policies are set out below.

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 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non – controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Acquisition of a Subsidiary not Constituting a Business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to property, plant and equipment at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Dividend income from investments is recognised when the rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

THE GROUP AS LESSEE

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

LEASEHOLD LAND AND BUILDING

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

As the Group conducts the principle operation of development, manufacture and sale of product through the subsidiaries in the PRC. For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Benefit Costs and Termination Benefits

Payments to state-managed retirement benefits schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-Term Employee Benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, Plant and Equipment

Property, plant and equipment including buildings, leasehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method as follows:

Leasehold land and buildings	2.17% to 4.75%
Plant and machinery	9.50% to 19.00%
Motor vehicles	9.50% to 23.75%
Office equipment	19.00% to 31.67%
Other equipment	9.50% to 31.67%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment (Continued)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value, at the date of acquisition which is regarded at their cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are subsequently amortised on a straight-line basis over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

SOFTWARE

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of three to ten years.

PATENTS

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 years.

RESEARCH AND DEVELOPMENT COSTS

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate probable future economic benefits, the availability of resources to complete the project and to use or sell the intangible asset, and the ability to measure reliably the expenditure attributable to the intangible asset during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on Tangible and Intangible Assets Other Than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial Assets

INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held to maturity financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include available-for-sale investments, trade and bills receivables, financial assets included in prepayments, deposits and other financial assets, financial assets at fair value through profits or loss, pledged bank deposits, cash and cash equivalents.

FINANCIAL ASSETS AT FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Assets (Continued)

FINANCIAL ASSETS AT FVTPL (Continued)

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item. Fair value is determined in the manner described in note 32.

SUBSEQUENT MEASUREMENT

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account transaction costs, any discount or premium on acquisition and fees or points that are an integral part of the effective interest rate. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial. The loss arising from impairment is recognised in the profit or loss in other gains and losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Assets (Continued)

SUBSEQUENT MEASUREMENT (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

After initial recognition, available-for-sale equity investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit or loss, or until the investment is determined to be impaired, at which time the cumulative loss is reclassified from the available-for-sale investment revaluation reserve to the profit or loss in other gains and losses. Dividends earned whilst holding the available-for-sale equity investments are reported as dividend income, and are recognised in the profit or loss as other income in accordance with the policies set out for "Income recognition" below.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the assets' carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlated with defaults.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Assets (Continued)

IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Financial assets carried at amortised cost

Objective evidence of impairment for portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other gains and losses in the profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Liabilities

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition.

The Group's financial liabilities include trade and bills payables and financial liabilities included in other payables and accruals.

SUBSEQUENT MEASUREMENT

The subsequent measurement of financial liabilities depends on their classification as follows:

TRADE AND BILLS PAYABLES, FINANCIAL LIABILITIES INCLUDED IN OTHER PAYABLES AND ACCRUALS

Trade and bills payables and financial liabilities included in other payables and accruals are subsequently measured at amortised cost.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or have expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying Accounting Policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

RECOGNITION OF PREPAID DECORATION EXPENSES

Non-cash incentives in the form of decoration materials are provided to the distributors initially capitalised as prepaid decoration expenses, and are subsequently amortised over the applicable periods. Significant management judgement is required to review the operating performance of distributors to determine the likelihood of future economic benefits for the capitalisation of the decoration expenses. Where the future economic benefits of the capitalised decoration expenses are different from the original assessment, the differences will impact on the capitalisation of prepaid decoration expenses in the periods in which the differences arise.

DEFERRED TAX ASSETS

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2017 was RMB15,275,000 (2016: RMB19,106,000). Further details are contained in note 26.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical Judgements in Applying Accounting Policies (Continued)

ACQUISITION OF A SUBSIDIARY NOT CONSTITUTING A BUSINESS

Note 34 describes that the Group acquired 100% equity interest in and shareholder loan to Shanghai Muhong Investment Co., Ltd. ("**Shanghai Muhong**") with a total cash consideration of RMB370,976,000 on 1 December 2017. As of the acquisition date, Shanghai Muhong held an office building with fair value of RMB387,255,000, cash of RMB1,566,000, office equipment of RMB2,000, other receivable of RMB100,000 and financial liabilities of RMB17,947,000. The acquisition of the equity interest in Shanghai Muhong is not considered as an acquisition of business.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

FAIR VALUE OF WEALTH MANAGEMENT PRODUCTS

The wealth management products included in the financial assets at fair value through profit or loss have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, exchange rates, interest rates, duration and discount rates, and hence they are subject to uncertainty. The net carrying value of wealth management products at 31 December 2017 was RMB2,700,394,000 (2016: RMB1,411,630,000).

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 RMB'000	2016 RMB'000
Sale of goods	**7,850,436**	6,662,139

5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

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

(b) Other income and gains, net:

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

Note: Government grants are mainly money received from local government for achieving certain specific targets including sale, R&D expense etc. The amount for the year ended 31 December 2017 includes the recognition of RMB40,996,000 from deferred government subsidies (note 25) as the Group met the conditions in 2017.

6. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services, 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 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*.

7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on bank loans	**–**	216

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived after at charging:

	2017 RMB'000	2016 RMB'000
(a) Cost of sales:		
Cost of inventories sold	**6,682,040**	5,309,375
(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	**49,184**	41,157
	399,062	286,718
(c) Other items:		
Depreciation of property, plant and equipment	**75,731**	63,123
Amortisation of prepaid land lease payments	**7,246**	5,276
Amortisation of intangible assets	**5,720**	3,877
Auditor's remuneration	**2,700**	3,000
Research and development costs (note)	**182,608**	163,267
Operating lease expenses	**13,821**	7,122
Provision for impairment of trade receivables	**–**	354

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 8(b) above.

9. INCOME TAX

	2017 RMB'000	2016 RMB'000
Current – Mainland China		
– Enterprise Income Tax for the year	**89,274**	126,926
– Over provision in prior year	**(18,779)**	(1,735)
Deferred tax (note 26)	**3,831**	(904)
Total tax charge for the year	**74,326**	124,287

Under the law of the PRC on Enterprise Income Tax (the "**EIT law**") and Implementation Regulation of the EIT law, the EIT rate of the Group's subsidiaries established in the PRC was 25%, for both years except:

- Tianjin Yadea Industry Co., Ltd. has been recognised as a high-tech enterprise in December 2013 and entitles to a preferential income tax rate of 15% for the year ended 31 December 2017 (2016: 15%).
- Zhejiang Yadea Motorcycle Co., Ltd. has been recognised as a high-tech enterprise in May 2017 and entitles to a preferential income tax rate of 15% retrospectively from 1 January 2016. This has resulted an over provision in 2016 of RMB18,044,000.

9. INCOME TAX (Continued)

Group entities incorporated in Hong Kong were subject to income tax at the rate of 16.5% during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong in both years.

Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2017 RMB'000	2016 RMB'000
Profit before tax	**479,328**	554,416
Tax at the statutory tax rate (25%)	**119,832**	138,604
Effect of preferential tax rate	**(34,898)**	(12,788)
Tax credit for qualified research and development expenses	**(5,985)**	(3,254)
Expenses not deductible for tax	**4,203**	1,237
Over provision in prior year	**(18,779)**	(1,735)
Tax effect of tax losses not recognised	**9,953**	2,253
Tax charge at the Group's effective rate	**74,326**	124,287

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the Directors for the year, disclosed pursuant to the applicable Listings Rules and Hong Kong Companies Ordinance, are as follows:

	Year ended 31 December 2017			
	Fees RMB'000	Salaries and other allowance RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive director and chief executive:				
Mr. Yeming Liu	–	1,200	113	1,313
Executive directors:				
Mr. Jinggui Dong	–	650	79	729
Ms. Jinghong Qian	–	650	91	741
Mr. Rui Shi	–	550	15	565
Mr. Yu Shen	–	400	15	415
Non-executive director:				
Mr. Xiang Fan (i)	–	–	–	–
Independent non-executive directors:				
Mr. Biguang Wu	250	–	–	250
Mr. Zongwei Li	250	–	–	250
Mr. Naisheng Yao	250	–	–	250
	750	3,450	313	4,513

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

	Year ended 31 December 2016			
	Fees RMB'000	Salaries and other allowance RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Executive director and chief executive:				
Mr. Yeming Liu	–	666	22	688
Executive directors:				
Mr. Jinggui Dong	–	600	14	614
Ms. Jinghong Qian	–	600	49	649
Mr. Rui Shi	–	550	14	564
Mr. Yu Shen	–	400	14	414
Non-executive director:				
Mr. Xiang Fan (i)	–	–	–	–
Independent non-executive directors:				
Mr. Biguang Wu	130	–	–	130
Mr. Zongwei Li	130	–	–	130
Mr. Naisheng Yao	130	–	–	130
	390	2,816	113	3,319

(i) Mr. Xiang Fan resigned from his position as a non-executive director with effect from 5 January 2017.

Bonus is determined by reference to the market, individual performance and their respective contribution to the Group.

The executive directors' emoluments shown above were for their services in connection with the management of affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as the Directors.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees

Of the five individuals with the highest emoluments in the Group, one (2016: one) was director whose emoluments are included in the disclosure above. The emoluments of the remaining four (2016: four) individuals were as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	**3,650**	3,291
Pension scheme contributions and social welfare	**214**	205
	3,864	3,496

The number of the highest paid employees who are not directors of the Company whose remuneration fell within the following band is as follows:

	2017	2016
Nil to HKD 1,000,000	**2**	2
HKD 1,000,001 to HKD 1,500,000	**2**	2
	4	4

11. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2016 final dividend – HKD4 cents per ordinary share	**104,916**	–
	104,916	–

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.

12. 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 **RMB'000**	2016 RMB'000
Earnings		
Profit of the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**404,698**	430,129

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,000,000,000**	2,653,259,563
Effect of dilutive potential ordinary shares:		
Series A preferred shares	**N/A**	73,297,814
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	2,726,557,377

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, 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 capitalisation issue.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicle RMB'000	Office equipment RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2016	589,717	131,284	43,702	44,260	20,271	37,880	867,114
Additions	22,860	9,732	2,317	10,535	5,278	68,898	119,620
Disposals	–	(845)	(2,176)	(205)	–	–	(3,226)
Reclassification	80,240	1,927	–	861	2,315	(85,343)	–
At 31 December 2016	**692,817**	**142,098**	**43,843**	**55,451**	**27,864**	**21,435**	**983,508**
Additions	**397,603**	**10,135**	**2,411**	**2,964**	**6,249**	**10,901**	**430,263**
Disposals	**(1,036)**	**(5,116)**	**(2,848)**	**(1,112)**	**(224)**	**–**	**(10,336)**
Reclassification	**3,217**	**–**	**–**	**–**	**–**	**(3,217)**	**–**
At 31 December 2017	**1,092,601**	**147,117**	**43,406**	**57,303**	**33,889**	**29,119**	**1,403,435**
Accumulated depreciation							
At 1 January 2016	(97,861)	(27,683)	(29,996)	(23,606)	(8,259)	–	(187,405)
Depreciation provided for the year	(33,140)	(12,154)	(5,733)	(8,985)	(3,111)	–	(63,123)
At 31 December 2016	**(131,001)**	**(39,837)**	**(35,729)**	**(32,591)**	**(11,370)**	**–**	**(250,528)**
Depreciation provided for the year	**(45,769)**	**(11,510)**	**(3,424)**	**(8,548)**	**(6,480)**	**–**	**(75,731)**
Eliminated on disposal	**208**	**617**	**2,323**	**715**	**76**	**–**	**3,939**
At 31 December 2017	**(176,562)**	**(50,730)**	**(36,830)**	**(40,424)**	**(17,774)**	**–**	**(322,320)**
Net carrying amount							
At 31 December 2017	**916,039**	**96,387**	**6,576**	**16,879**	**16,115**	**29,119**	**1,081,115**
At 31 December 2016	561,816	102,261	8,114	22,860	16,494	21,435	732,980

As at 31 December 2017, the application for the property ownership certificates for certain buildings with an aggregate net book value of approximately RMB243,338,000 (2016: RMB224,099,000) was still in process. In the opinion of the Directors, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

As at 31 December 2017, certain of the Group's buildings and construction in progress with an aggregate net carrying amount of RMB425,511,000 (2016: RMB413,877,000) were pledged to secure the Group's bills payable.

14. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Carrying amount at beginning of the year	**292,838**	220,612
Additions	**–**	77,503
Amortisation provided during the year	**(7,246)**	(5,276)
Carrying amount at end of the year	**285,592**	292,839

The carrying amount of the Group's prepaid land lease payments represents land use rights situated in Mainland China.

At 31 December 2017, certain of the Group's prepaid land lease payments with an aggregate net book value of approximately RMB103,166,000 (2016: RMB101,199,000) was pledged to secure the Group's bills payable.

15. INTANGIBLE ASSETS

	Software RMB'000	Patents RMB'000	Total RMB'000
Cost			
At 1 January 2016	19,382	–	19,382
Additions	4,681	2,000	6,681
At 31 December 2016	**24,063**	**2,000**	**26,063**
Additions	**4,692**	**–**	**4,692**
31 December 2017	**28,755**	**2,000**	**30,755**
Accumulated amortization			
At 1 January 2016	(5,220)	–	(5,220)
Amortisation	(2,988)	(889)	(3,877)
At 31 December 2016	**(8,208)**	**(889)**	**(9,097)**
Amortisation	**(5,053)**	**(667)**	**(5,720)**
31 December 2017	**(13,261)**	**(1,556)**	**(14,817)**
Net carrying amount			
At 31 December 2017	**15,494**	**444**	**15,938**
At 31 December 2016	15,855	1,111	16,966

16. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Unlisted equity investments, at cost	**14,068**	14,683

The unlisted equity investments were stated at cost less impairment because the investments did not have a quoted market price in an active market and, in the opinion of the Directors, the fair value estimate cannot be measured reliably.

17. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**120,713**	133,932
Finished goods	**217,430**	71,068
	338,143	205,000

18. TRADE AND BILLS RECEIVABLES

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

At 31 December 2017, included in the trade and bills receivables are trade receivables from a Group's related party of RMB721,000 (2016: RMB1,816,000). Details of the Group's trade receivables with its related party as at the end of the reporting period are disclosed in note 33(c).

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.

As at 31 December 2017, the Group had endorsed certain bills receivable accepted by banks in Mainland China (the "**Derecognised Bills**") to certain of its suppliers in order to settle the trade payables with a carrying amount in aggregate of approximately RMB19,807,000 (2016: RMB32,590,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments of the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**") in payment. In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

18. TRADE AND BILLS RECEIVABLES (Continued)

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills (2016: Nil). No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

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 RMB'000	2016 RMB'000
Within 6 months	**53,037**	278,222
Over 1 year	**–**	139
	53,037	278,361

The movements in impairment of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
At beginning of the year	**2,306**	1,952
Impairment losses recognised	**–**	354
At end of the year	**2,306**	2,306

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**53,037**	278,222
Past due but not impaired	**–**	139
	53,037	278,361

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Non-current assets		
Prepayment for acquisition of property, plant and equipment	–	4,244
Prepaid decoration expenses (i)	**75,155**	55,169
	75,155	59,413
Current assets		
Prepayments for advertising	**180,482**	67,781
Prepayments to suppliers (ii)	**95,234**	73,333
Prepaid decoration expenses (i)	**51,290**	65,403
Deposits	**10,827**	11,148
VAT recoverable	**1,741**	9,272
Wealth management products	–	20,000
Others	**29,132**	8,239
	368,706	255,176

Movement of prepaid decoration expenses as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount at beginning of the year	**120,572**	116,609
Additions	**55,192**	62,553
Amortisation provided during the year	**49,319**	58,590
Carrying amount at end of the year	**126,445**	120,572

(i) To enhance the customer experience and increase sales, the Group invested in the distributor point of sales overhaul campaign by providing decoration materials to the distributors. The cost of material are initially capitalised as prepaid decoration expenses, and are subsequently amortised over the applicable periods in which the sales are related.

(ii) Included in the prepayments to suppliers are prepayments to the Group's related parties of RMB12,989,000 (2016: RMB8,637,000). Details of the Group's prepayment balances with its related parties are disclosed in note 33(d).

20. RECEIVABLE FROM A THIRD PARTY

	2017 RMB'000	2016 RMB'000
Receivable from a third party	**175,541**	–

Receivable from a third party represents a loan of HKD200,000,000 to a third party. The loan is repayable on 19 September 2018, and carries an interest of 6% per annum.

21. WEALTH MANAGEMENT PRODUCTS

	2017 RMB'000	2016 RMB'000
Wealth management products, at fair value	**1,950,394**	1,411,630
Wealth management products, at amortised cost	**750,000**	–
	2,700,394	1,411,630

The wealth management products are mainly issued by banks with fixed or variable interest rates, redeemable on demand or with maturity within 360 days. As at 31 December 2017, the Group invested in principal-protected investment products of RMB2,472,000,000 (2016: RMB1,411,630,000) and non-principal-protected investment products of RMB228,394,000 (2016: Nil). As at 31 December 2017, certain of the Group's wealth management products with a carrying amount of RMB1,022,000,000 (2016: RMB464,522,000) were pledged as security for the Group's bills payable.

22. PLEDGED BANK DEPOSITS

	2017 RMB'000	2016 RMB'000
Deposits pledged with banks for bills payable	**889,537**	777,073

Pledged bank deposits represent deposits pledged to banks as security for the Group's bills payable.

23. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash and bank balances	**797,972**	1,454,555
Fixed deposits	**190,300**	346,850
Cash and cash equivalents	**988,272**	1,801,405

Bank balances carry interest at market rates of 0.35% (2016: 0.35% to 0.38%) per annum. The fixed deposits carry fixed interest rate of 1.1% (2016: 1.5%) per annum.

24. TRADE AND BILLS PAYABLES

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

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

	2017 RMB'000	2016 RMB'000
Within 3 months	**387,776**	366,027
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	**19,273**	18,191
	1,334,282	1,259,443

At 31 December 2017, included in the trade and bills payables are trade payables to the Group's related parties of RMB5,483,000 (2016: RMB3,694,000), and bills payables to the Group's related parties of RMB7,330,000 (2016: RMB22,670,000). Details of the Group's trade payables and bills payable balances with its related parties as at the end of the reporting period are disclosed in note 33(e).

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.

25. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Advances from customers	**258,672**	56,453
Payables for purchase of property, plant and equipment	**48,193**	39,994
Other tax payable	**43,135**	35,798
Staff payroll and welfare payables	**41,161**	44,175
Deposit	**22,057**	–
Sales rebate	**21,365**	12,526
Deferred revenue	**8,150**	9,728
Deferred government subsidy	**–**	40,996
Others	**9,484**	45,572
	452,217	285,242

26. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

	Tax losses RMB'000	Sales rebate and deferred revenue RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	759	7,996	9,447	18,202
Deferred tax credited/(charged) to profit or loss	971	(2,433)	2,366	904
At 31 December 2016	**1,730**	**5,563**	**11,813**	**19,106**
Deferred tax (charged)/credited to profit or loss	**(106)**	**1,815**	**(5,540)**	**(3,831)**
At 31 December 2017	**1,624**	**7,378**	**6,273**	**15,275**

The PRC subsidiaries of the Group had unrecognised tax losses available to offset against future profits as follows:

	2017 RMB'000	2016 RMB'000
2017	**–**	1,276
2018	**1,529**	1,529
2019	**1,529**	1,529
2020	**3,250**	3,250
2021	**10,516**	10,516
2022	**26,070**	–
	42,894	18,100

26. DEFERRED TAX (Continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,440,565,000 as at 31 December 2017 (2016: RMB1,045,942,000). In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future after their assessment based on factors which included the dividend policy, the level of working capital required for the Group's operations and the expansion of the Group's operations in Mainland China.

27. SHARE CAPITAL

	Number of shares	Share capital USD'000
Authorised:		
5,000,000,000 ordinary shares of USD0.00001 each	**5,000,000,000**	**50**
Issued and fully paid		
At 1 January 2016	**2,000,000,000**	**22**
Conversion of Series A preferred shares into ordinary shares (i)	**193,000,000**	
Capitalisation issue (ii)	**87,000,000**	**1**
Issuance of shares for the IPO (iii)	**720,000,000**	**7**
At 31 December 2016 and 2017	**3,000,000,000**	**30**
Equivalent to RMB'000		**188**

(i) All Series A preferred shares were automatically converted into ordinary shares immediately prior to the completion of the Company's Global Offering on 19 May 2016.

(ii) 87,000,000 shares were allotted and issued to the shareholders of the Company, credited as fully paid at par value, immediately preceding the listing date on 19 May 2016 in proportion to their respective shareholdings by way of capitalisation of the sum of USD870 standing to the credit of the share premium account of the Company.

(iii) On 19 May 2016, in connection with the Company's Global Offering on 19 May 2016, 720,000,000 new ordinary shares of the Company of USD0.00001 each were issued at a price of HKD1.72 per share.

28. CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities (2016: Nil).

29. PLEDGE OF ASSETS

Details of the Group's assets, which are pledged to secure bills payable of the Group, are included in notes 13, 14, 21 and 22, respectively, to the consolidated financial statements.

30. COMMITMENTS

(a) Capital Commitments

	2017 RMB'000	2016 RMB'000
Commitments for the acquisition of property, plant and equipment	**75,017**	4,736

(b) Operating Lease Commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**10,931**	6,176
In the second to fifth years, inclusive	**26,775**	7,187
After five years	**22,334**	6,233
	60,040	19,596

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of the total equity of the Group.

Management reviews the capital structure on regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on the recommendation of management, the Group will balance its overall capital structure through issue of new shares and new debts.

32. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	2017/12/31 RMB'000	2016/12/31 RMB'000
Financial assets		
Fair value through profit or loss	**1,950,394**	1,411,630
Loans and receivables (including cash and cash equivalents)	**2,900,695**	2,897,556
Available-for-sale investments	**14,068**	14,683
	4,865,157	4,323,869
Financial liabilities		
At amortised cost	**4,032,665**	3,287,399
Financial liabilities included in other payables and accruals	**101,099**	98,092
	4,133,764	3,385,491

Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and bills receivables, financial assets at fair value through profit or loss, deposits and other receivable, pledged bank deposits, cash and cash equivalents, trade and bills payables and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign Exchange Risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain sales to international market and certain wealth management product that are conducted in USD. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entities' functional currency. The Group is exposed to foreign exchange risk primarily with respect to USD.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure.

32. FINANCIAL INSTRUMENTS (Continued)

Foreign Exchange Risk (Continued)

	Liabilities		Assets	
	31/12/17	31/12/16	**31/12/17**	31/12/16
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**–**	–	**223,211**	19,072

	2017 (Increase)/ decrease in profit after tax RMB'000	2016 (Increase)/ decrease in profit after tax RMB'000
RMB – US$		
Appreciation of RMB by 5%	**(8,370)**	(715)
Depreciation of RMB by 5%	**8,370**	715

Other Price Risk

The Group is exposed to price risk through its investments in wealth management products with variable return. The prices and return of these products are linked with interest rates or exchange rates. Management manages this exposure by reviewing the historical interest rates and exchange rates before investing in these products.

OTHER PRICE RISK SENSITIVITY ANALYSIS

No sensitivity analysis on price risk on wealth management products is presented as management consider the sensitivity on price risk on wealth management products is insignificant.

Credit Risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Trade receivables consist of a large number of customers, spread across diverse geographical areas, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on wealth management products, pledged bank deposits, and cash and cash equivalents is limited because the counterparties are major state-owned financial institutions in the PRC.

32. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

The Group's treasury department monitors the Group's cash flow positions on a regular basis to ensure the cash flows of the Group are positive and closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or less than 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2017 RMB'000
At 31 December 2017			
Trade and bills payables	**4,032,665**	**4,032,665**	**4,032,665**
Financial liabilities included in other payables and accruals	**101,099**	**101,099**	**101,099**
	4,133,764	**4,133,764**	**4,133,764**
At 31 December 2016			
Trade and bills payables	3,287,399	3,287,399	3,287,399
Financial liabilities included in other payables and accruals	98,092	98,092	98,092
	3,385,491	3,385,491	3,385,491

Fair Value Measurements

FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURES AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

32. FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (Continued)

Assets measured at fair value:

As at 31 December 2017	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Wealth management products	–	1,950,394	–	1,950,394

As at 31 December 2016	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Wealth management products	–	1,411,630	–	1,411,630

The valuation technique is discounted cash flows, and future cash flows are estimated based on interest rates and exchange rates that reflects the credit risk of various counterparties.

33. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

(a) Particulars of the related parties, which entered into material transactions with the Group, are as follows:

Name	Relationship
Dongguan Hanrun Vehicle Fittings Co., Ltd. ("**Dongguan Hanrun**")	Controlled by close family members of the Controlling Shareholder
E-Zebra Intelligent Technology (Beijing) Co., Ltd. ("**E-Zebra**")	Controlled by the Controlling Shareholders
Jiangsu Tianmei Architectural Decoration Development Co., Ltd. ("**Jiangsu Tianmei**")	Controlling Shareholders have significant influence
Ningbo Suogao Shock Absorber Co., Ltd. ("**Ningbo Suogao**")	Controlled by close family members of the Controlling Shareholder
Tianjin Xingwei Electric Parts Co., Ltd. ("**Tianjin Xingwei**")	Controlled by close family members of the Controlling Shareholders
Wuxi Daen Vehicle Industry Co., Ltd. ("**Wuxi Daen**")	Controlled by close family members of the Controlling Shareholders
Wuxi Xingwei Vehicle Fittings Co., Ltd. ("**Wuxi Xingwei**")	Controlled by close family members of the Controlling Shareholders
Wuxi Colorful Metal Coating Co., Ltd. ("**Wuxi Colorful**")	Controlled by close family members of the Controlling Shareholders

33. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(b) Transactions with Related Parties:

(i) Purchases of products:

	2017 RMB'000	2016 RMB'000
Wuxi Xingwei	**36,600**	49,980
Tianjin Xingwei	**6,001**	4,540
Ningbo Suogao	**–**	2,612
Wuxi Daen	**–**	3,929
Wuxi Colorful	**–**	2,333
Dongguan Hanrun	**–**	747
	42,601	64,141

The purchases of products were made on terms agreed between the parties.

(ii) Sales of products:

	2017 RMB'000	2016 RMB'000
E-Zebra	**5,183**	1,554

The sales of products were made on terms agreed between the parties.

(c) Due from Related Parties:

	2017 RMB'000	2016 RMB'000
E-Zebra	**721**	1,816

The amount is unsecured, interest-free and have no fixed term of repayment.

(d) Advance Payments to Related Parties:

	2017 RMB'000	2016 RMB'000
Wuxi Xingwei	**11,088**	6,787
Dongguan Hanrun	**1,901**	1,850
	12,989	8,637

33. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(e) Due To Related Parties:

TRADE PAYABLES

	2017 RMB'000	2016 RMB'000
Tianjin Xingwei	**4,882**	1,495
Wuxi Daen	**272**	599
Wuxi Colorful	**200**	200
Ningbo Suogao	**129**	670
Jiangsu Tianmei	**–**	730
	5,483	3,694

BILLS PAYABLE

	2017 RMB'000	2016 RMB'000
Wuxi Xingwei	**6,080**	19,370
Tianjin Xingwei	**1,250**	2,650
Wuxi Daen	**–**	590
Ningbo Suogao	**–**	60
	7,330	22,670

The amounts are unsecured, interest-free and have no fixed term of repayment.

(f) Compensation of Key Management Personnel Of The Group:

	2017 RMB'000	2016 RMB'000
Salaries	**6,246**	5,416
Pension scheme contributions and social welfare	**367**	273
	6,613	5,689

The related party transactions in respect of items 33(b)(i) and (ii) above also constitute continuing connected transactions according to the Listing Rules.

34. DETAIL OF SUBSIDIARIES

Detail of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiaries	Place and date of registration and place of operations	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 2017	2016	Principal activities
Yadea Group Management Holdings Limited	British Virgin Islands 17 July 2017	USD100	**100%**	100%	Investment holding
Ture Vantage Global Limited	Republic of Seychelles 28 April 2011	USD1,000	**100%**	100%	Investment holding
Regal Talent Holdings Limited	Hong Kong 2 December 2010	HKD10,000	**100%**	100%	Investment holding
Yadea HK Holdings Limited	Hong Kong 5 August 2014	HKD100	**100%**	100%	Investment holding
無錫雅迪諮詢有限公司 (Wuxi Yadea Consulting Co., Ltd.)	Wuxi, the PRC 30 June 2014	RMB1,000,000	**100%**	100%	Investment holding
無錫雅迪電動科技有限公司 (Wuxi Yadi Electric Technology Co., Ltd)	Wuxi, the PRC 20 December 2016	USD15,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and accessories
江蘇雅迪科技發展有限公司 (Jiangsu Yadea Technology Development Co., Ltd.)	Wuxi, the PRC 20 June 2001	RMB150,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and accessories
浙江雅迪機車有限公司 (Zhejiang Yadea Motorcycle Co., Ltd.)	Ningbo, the PRC 28 September 2002	RMB100,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and Accessories
無錫雅迪進出口有限公司 (Wuxi Yadea Import and Export Co., Ltd.)	Wuxi, the PRC 5 April 2007	RMB510,000	**100%**	100%	Export of electric vehicles and accessories

34. DETAIL OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of registration and place of operations	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 2017	2016	Principal activities
天津雅迪偉業車業有限公司 (Tianjin Yadea Weiye Vehicle Co., Ltd.)	Tianjin, the PRC 25 August 2009	RMB500,000	**100%**	100%	Manufacture and sale of accessories
雅迪科技集團有限公司 (Yadea Technology Group Co., Ltd.)	Wuxi, the PRC 17 December 2010	RMB100,000,000	**100%**	100%	Investment holding and manufacture and sale of electric vehicles and accessories
天津雅迪實業有限公司 (Tianjin Yadea Industry Co., Ltd.)	Tianjin, the PRC 25 January 2011	RMB50,000,000	**100%**	100%	Development manufacture and sale of electric vehicles and accessories
廣東雅迪科技發展有限公司 (Guangdong Yadea Technology Development Co., Ltd.) (Note 1)	Dongguan, the PRC 14 March 2011	–	**–**	100%	Development, manufacture and sale of electric vehicles and accessories
雅迪科技集團銷售有限公司 (Yadea Technology Group Sales Co., Ltd.)	Wuxi, the PRC 7 February 2014	RMB50,000,000	**100%**	100%	Sale of electric vehicles and accessories
江蘇新迪科技發展有限公司 (Jiangsu Xindi Technology Development Co., Ltd.)	Wuxi, the PRC 28 April 2014	RMB70,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and Accessories
上海雅迪投資有限公司 (Shanghai Yadea Investment Co., Ltd.)	Shanghai, the PRC 15 May 2015	RMB10,000,000	**100%**	100%	Investment holding
廣東雅迪機車有限公司 (Guangdong Yadea Motorcycle Co., Ltd.)	Qingyuan, the PRC 15 July 2015	RMB10,000,000	**100%**	100%	Development, manufacture and sale of electric vehicles and accessories

34. DETAIL OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of registration and place of operations	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power 2017	2016	Principal activities
彩仕(清遠)製品有限公司 (Caishi (Qingyuan) Products Co., Ltd.)	Qingyuan, the PRC 7 June 2004	RMB23,980,000	**100%**	100%	Manufacture of industrial products
成都雅迪銷售有限公司 (Chengdu Yadea Technology Co., Ltd.)	Chengdu, the PRC 4 September 2017	RMB20,000,000	**70%**	–	Sale of electric vehicles and accessories
上海慕虹投資有限公司 (Note 2) (Shanghai Muhong Investment Co., Ltd.)	Shanghai, the PRC 12 September 2014	RMB83,000,000	**100%**	–	Investment holding

Note 1: Guangdong Technology Development Co., Ltd. has been deregistered in September 2017.

Note 2: On 1 December 2017, the Group acquired the 100% equity interest in and shareholder's loan to Shanghai Muhong Investment Co., Ltd with a total cash consideration of RMB370,976,000. Shanghai Muhong Investment Co., Ltd is a vehicle company holding on office building located in Shanghai, and the acquisition does not constitute an acquisition of business. As of the acquisition date, Shanghai Muhong Investment Co., Ltd held the office building with fair value of RMB387,255,000, and cash of RMB1,566,000, office equipment of RMB2,000, other receivable of RMB100,000, and financial liabilities of RMB17,947,000.

35. EVENTS AFTER THE REPORTING PERIOD

No material events were undertaken by the Group subsequent to 31 December 2017 to report date.

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**161,765**	168,176
Available-for-sale investment	**14,068**	14,683
Total non-current assets	**175,833**	182,859
CURRENT ASSETS		
Amount due from a subsidiary	**98,220**	109,390
Receivable from a third party	**175,541**	–
Financial assets at fair value through profit or loss	**198,394**	–
Cash and cash equivalents	**280,763**	801,437
Total current assets	**752,918**	910,827
CURRENT LIABILITIES		
Amount due to a subsidiary	**11,997**	11,997
Other payables and accruals	**1,187**	1,098
Total current liabilities	**13,184**	13,095
NET CURRENT ASSETS	**739,734**	897,732
NET ASSETS	**915,567**	1,080,591
EQUITY		
Share capital	**188**	188
Share premium and reserves (note)	**915,379**	1,080,403
Total equity	**915,567**	1,080,591

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note:

Movements in the Company's reserves:

	Share premium RMB'000	Share award reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	10,124	75,574	988	(3,256)	83,430
Total comprehensive income for the year, net of tax	–	–	58,189	(16,215)	41,974
Capitalisation issue of shares	(6)	–	–	–	(6)
Issuance of shares for IPO	1,044,791	–	–	–	1,044,791
Share issue expense	(89,786)	–	–	–	(89,786)
At 31 December 2016	965,123	75,574	59,177	(19,471)	1,080,403
Total comprehensive (expense)/income for the year, net of income tax	**–**	**–**	**(62,151)**	**2,043**	**(60,108)**
Payment of dividends	**(104,916)**	**–**	**–**	**–**	**(104,916)**
At 31 December 2017	**860,207**	**75,574**	**(2,974)**	**(17,428)**	**915,379**