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

INTERIM REPORT 2018

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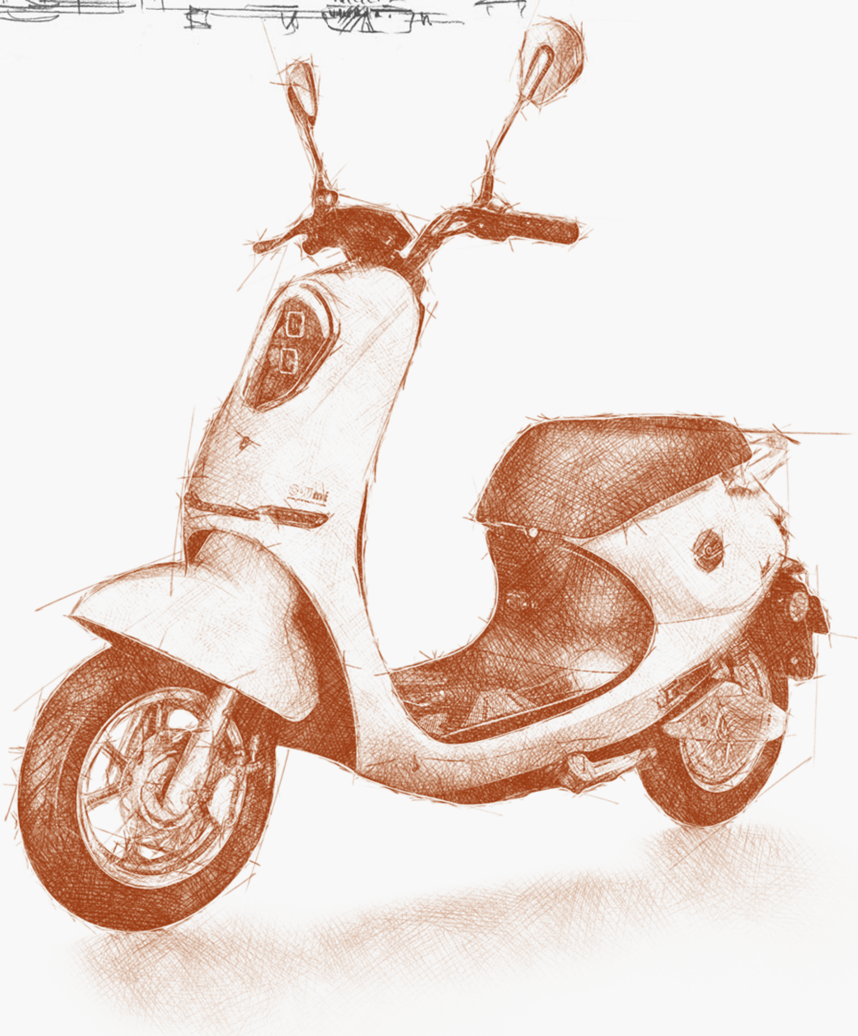

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Dong Jinggui (董經貴)
Ms. Qian Jinghong (錢靜紅)
Mr. Liu Yeming (劉曄明)
Mr. Shi Rui (石銳)
Mr. Shen Yu (沈瑜)

Independent Non-executive Directors

Mr. Wu Biguang (吳邲光)
Mr. Li Zongwei (李宗煒)
Mr. Yao Naisheng (姚乃勝)

AUDIT COMMITTEE

Mr. Li Zongwei (李宗煒) *(Chairman)*
Mr. Yao Naisheng (姚乃勝)
Mr. Wu Biguang (吳邲光)

REMUNERATION COMMITTEE

Mr. Wu Biguang (吳邲光) *(Chairman)*
Mr. Liu Yeming (劉曄明)
Mr. Yao Naisheng (姚乃勝)

NOMINATION COMMITTEE

Mr. Dong Jinggui (董經貴) *(Chairman)*
Ms. Qian Jinghong (錢靜紅)
Mr. Yao Naisheng (姚乃勝)
Mr. Wu Biguang (吳邲光)
Mr. Li Zongwei (李宗煒)

JOINT COMPANY SECRETARIES

Mr. Shen Yu (沈瑜)
Room 202
No. 66, Huiquan Garden
Beitang District
Wuxi, Jiangsu Province
China

Ms. Wong Sau Ping (黃秀萍), ACIS, ACS
(resigned on 31 August 2018)
Ms. Lam Yuk Ling (林玉玲), ACIS, ACS
(appointed on 31 August 2018)
31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. Liu Yeming (劉曄明)
Room 202, Door No.1, No.4 Building
No.2, Chaonei Beixiao Street
Dongcheng District
Beijing
China

Ms. Wong Sau Ping (黃秀萍), ACIS, ACS
(resigned on 31 August 2018)
Ms. Lam Yuk Ling (林玉玲), ACIS, ACS
(appointed on 31 August 2018)
31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

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

31/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

LEGAL ADVISER

As to Hong Kong law:
Sidley Austin
Level 39, Two International Finance Centre,
Central
Hong Kong

AUDITORS

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

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2018, Yadea Group Holdings Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**") had solidified its leading position in electric two-wheeled vehicle in the PRC, focusing on designing, researching, developing, manufacturing and selling electric scooters, electric bicycles and related accessories. As of June 30, 2018, the Group's extensive distribution network comprised approximately 1,821 distributors as well as their sub-distributors with over 10,080 points of sales, covering almost every province in China. Internationally, the Group made their sale in over 60 countries through their international distribution network.

In the first half of 2018, the Group continued to adjust their pricing strategies by offering more discounts to their 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 approximately 1,752,600 units for the six months ended June 30, 2017 to approximately 2,473,000 units for the six months ended June 30, 2018 (the "**Reporting Period**"). Revenue from the sales of electric two-wheeled vehicles increased by 51.0% from approximately RMB2,372.7 million for the six months ended June 30, 2017 to approximately RMB3,581.9 million for the six months ended June 30, 2018. The average selling price of electric scooters slightly decreased from RMB1,642 for the six months ended June 30, 2017 to RMB1,638 for the six months ended June 30, 2018 while the average selling price of electric bicycles increased from RMB1,030 for the six months ended June 30, 2017 to RMB1,186 for the six months ended June 30, 2018. 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, the cost of sales also increased by approximately 40.1% from RMB2,760.6 million for the six months ended June 30, 2017 to RMB3,867.7 million for the six months ended June 30, 2018. Accordingly, the Group's overall gross profit margin slightly increased by approximately 0.4% from approximately 15.2% for the six months ended June 30, 2017 to approximately 15.6% for the six months ended June 30, 2018.

As a step to promote "Yadea" brand internationally, the Group sponsored the quadrennial international football tournament 2018 FIFA World Cup, which was held from June 16, 2018 to July 15, 2018 in Russia. As a regional supporter of the 2018 FIFA World Cup™ for Asia, the Group considers it is a new benchmark for the business development and would promote "Yadea" brand globally and increase the sales. "Yadea" is also awarded as the "the First Electric Bicycles Manufacturer Compliance with the New National Standards" in May 2018.

In the area of research and development, the Group continued to invest to enhance their capability for innovation, in particular, on the design of new products and new technology for core parts and components. As of June 30, 2018, the Group had 328 research and development professionals with various product design background for electric two wheeled vehicles and increased our research and development investment by 96.3%. The Group believes this will significantly expand their existing product portfolio and enhance their market competitiveness in a long-run.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2018, we recorded revenue of approximately RMB4,582.8 million, representing an increase of approximately 40.8% compared with the corresponding period in 2017 of approximately RMB3,254.5 million. The increase was primarily attributable to an increase in sales volumes of electric scooters, electric bicycles and related accessories.

Product Type	For the six months ended June 30, 2018			For the six months ended June 30, 2017		
	Revenue (RMB'000)	% of total	Volume '000 units	Revenue (RMB'000)	% of total	Volume '000 units
Electric scooters	**2,349,496**	**51.3**	**1,434.2**	1,523,740	46.8	928.1
Electric bicycles	**1,232,400**	**26.9**	**1,038.8**	848,991	26.1	824.5
Subtotal	**3,581,896**	**78.2**	**2,473.0**	2,372,731	72.9	1,752.6
Batteries and chargers	**964,094**	**21.0**	**Batteries: 1,720.8 Chargers: 1,742.0**	865,670	26.6	Batteries: 1,670.1 Chargers: 981.0
Electric two-wheeled vehicle parts	**36,838**	**0.8**	**N/A**	16,053	0.5	N/A
Total	**4,582,828**	**100**	**–**	3,254,454	100	–

Sales volume of electric scooters increased by approximately 54.5% from approximately 928,100 units for the six months ended June 30, 2017 to approximately 1,434,200 units for the six months ended June 30, 2018; and our sales volume of electric bicycles increased by approximately 26.0% from approximately 824,500 units for the six months ended June 30, 2017 to approximately 1,038,800 units for the six months ended June 30, 2018. The increase in the sales volume of the electric two-wheeled vehicles was primarily due to the general increase in market demand as the Group increased its marketing and advertising efforts. The average unit selling price of electric scooters slightly decreased from RMB1,642 for the six months ended June 30, 2017 to RMB1,638 for the six months ended June 30, 2018. The average unit selling price of electric bicycles increased from RMB1,030 for the six months ended June 30, 2017 to RMB1,186 for the six months ended June 30, 2018.

Cost of Sales

Cost of sales increased by approximately 40.1% from approximately RMB2,760.6 million for the six months ended June 30, 2017 to approximately RMB3,867.7 million for the six months ended June 30, 2018, which is in line with the increase in our sales volumes of electric scooters, electric bicycles and related accessories.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by approximately 44.8% from approximately RMB493.9 million for the six months ended June 30, 2017 to approximately RMB715.2 million for the six months ended June 30, 2018.

Gross profit margin was 15.6% for the six months ended June 30, 2018, higher than the gross profit margin of 15.2% for the six months ended June 30, 2017, mainly attributable to an increase in the average unit selling price of electric bicycles.

Other Income and Gains, Net

Other income and gains, net decreased by approximately 1.1% from approximately RMB85.7 million for the six months ended June 30, 2017 to approximately RMB84.8 million for the six months ended June 30, 2018. Such decrease was primarily due to a decrease in discretionary government grant.

Profit for the Reporting Period

As a result of the cumulative effect of the foregoing, the Group's profit increased by approximately 13.8% from approximately RMB171.6 million for the six months ended June 30, 2017 to approximately RMB195.3 million for the six months ended June 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

As of June 30, 2018, cash and cash equivalents amounted to approximately RMB1,461.5 million, representing an increase of approximately 47.9% from approximately RMB988.3 million as of December 31, 2017. Such increase was primarily due to approximately RMB1,318 million net cash generate from investing activities and approximately RMB812 million net cash used in operating activities.

The Group's primary uses of cash were payment for marketing and advertising expense, funding of working capital and daily operating expenses. The Group financed its liquidity requirements through cash flows generated from its operating activities. Net cash used in operating activities was approximately RMB812.2 million for the six months ended June 30, 2018, as compared with net cash used in operating activities of approximately RMB30.9 million for the six months ended June 30, 2017.

Net cash generated from investing activities was approximately RMB1,317.6 million for the six months ended June 30, 2018, as compared with net cash used in investing activities of approximately RMB444.3 million for the six months ended June 30, 2017. Net cash used in financing activities was approximately RMB37.7 million for the six months ended June 30, 2018, as compared with net cash used in financing activities of approximately RMB104.1 million for the six months ended June 30, 2017.

Taking into account the Group's existing cash and cash equivalents, anticipated cash flow from its operating activities and the net proceeds from the initial public offering, the board (the "**Board**") of directors (the "**Directors**") of the Company believes that the Group's liquidity needs will be satisfied.

Net Current Assets

As of June 30, 2018, the Group had net current assets of approximately RMB1,076.8 million, as compared with net current assets of approximately RMB990.0 million as of December 31, 2017.

Inventory

Inventory primarily consisted of raw materials and finished goods. Inventory decreased by approximately 1.0% from approximately RMB338.1 million as of December 31, 2017 to approximately RMB334.8 million as of June 30, 2018, primarily due to the increase of electric scooters, electric bicycles and related accessories reflecting the increase of the sales volumes. The average inventory turnover days for the six months ended June 30, 2018 increased to 15.7 days from 13.6 days for the corresponding period in 2017.

Gearing Ratio

Gearing ratio (as defined as total interest-bearing bank borrowings divided by total equity as of the respective period-end dates and multiplied by 100%) as of June 30, 2018 was approximately 2.6% (December 31, 2017: 0%).

Human Resources

As of June 30, 2018, the Group had 3,627 employees (December 31, 2017: 3,539). Total staff costs for the Reporting Period, excluding the Directors' remuneration, were approximately RMB186.3 million (for the six months ended June 30, 2017: approximately RMB145.2 million). The Group will regularly review its remuneration policy and wages and benefits to its employees with reference to market practice and the performance of individual employee.

Contingent Liabilities

As of June 30, 2018, the Group did not have any material contingent liabilities or guarantees.

Pledge of the Group's Assets

The Group pledged its assets as securities for bank credit which was used to settle trade payables in its daily business operation. As of June 30, 2018, the pledged assets of the Group amounted to approximately RMB2,250.4 million.

Treasury Policies

The Group's treasury policy was disclosed in the prospectus of the Company dated May 9, 2016 (the "**Prospectus**"). The Board, the audit committee of the Company (the "**Audit Committee**") and the staff at the relevant positions always remain alert to the performance and risk assessment of the wealth management products, so as to ensure that the wealth management operation does not pose excessive risk to the principal amount. As of June 30, 2018, all of our wealth management products were principal protected. At the same time, the Company also pays attention to the liquidity position of the Group in order to ensure the sufficiency of its working capital. It is the Company's policy to maintain at least 50% of the wealth management products in those that are redeemable on demand or highly liquid (i.e. redeemable within six months).

Foreign Exchange Rate Risk

The Group conducts its business primarily in RMB. Certain sale of goods and bank borrowing were denominated in US$. As of June 30, 2018, substantially all of the Group's assets and liabilities were denominated in RMB. The Group believes that it does not have significant foreign currency exposure. Therefore, the Group did not use any derivative financial instruments to hedge its exposure to the foreign exchange rate risk during the Reporting Period.

Capital Expenditure

The Group's capital expenditures primarily comprise of purchases of fixed assets. During the Reporting Period, the total capital expenditure was approximately RMB59.5 million.

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

The Company was incorporated in the Cayman Islands on July 17, 2014 as an exempted company with limited liability and the shares of the Company (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on May 19, 2016 (the "**Listing Date**").

As at June 30, 2018, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") are as follows:

(i) Interests in Shares of the Company

Name of Director	Nature of interest	Number of Shares(5)	Approximately percentage of shareholding(6)
Mr. Dong Jinggui(1&3)	Interest of controlled corporation/ interest of concert parties	1,992,010,943 (L)	66.4%
Ms. Qian Jinghong(2&3)	Interest of controlled corporation/ interest of concert parties	1,992,010,943 (L)	66.4%
Mr. Liu Yeming(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 Investment Company Limited ("**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 Investment Company Limited ("**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 of directors of the members of the Group. 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 arrangement. 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 ("**Ke Ding**"), 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.

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

(6) There were 3,000,000,000 Shares in issue as at June 30, 2018.

(ii) Interests in associated corporations

Name of Director	Name of associated corporation	Number of issued shares	Approximately percentage of shareholding
Mr. Dong Jinggui	Dai Wei	100 shares	100.00%
Ms. Qian Jinghong	Fang Yuan	100 shares	100.00%

Save as disclosed above, as at June 30, 2018, none of the Directors or chief executive of the Company had any interests or 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) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As at June 30, 2018, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of Shares[2]	Approximately percentage of shareholding[3]
Dai Wei[1]	Beneficial interest/interest of concert parties	1,992,010,943 (L)	66.4%
Fang Yuan[1]	Beneficial interest/interest of concert parties	1,992,010,943 (L)	66.4%

Notes:

(1) 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 of directors of the members of the Group. 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 arrangement. 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.

(2) The letter “L” denotes long position in such securities.

(3) There were 3,000,000,000 Shares in issue as at June 30, 2018.

Save as disclosed above, and as at June 30, 2018, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

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

During the six months ended June 30, 2018, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. The Company has fully complied with the code provisions set out in the CG Code throughout the Reporting Period. The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 during the six months ended June 30, 2018.

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.

SHARE OPTION SCHEME

The share option scheme was adopted by the Company on April 22, 2016 (the "**Share Option Scheme**").

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors believe the Share Option Scheme will enable the Group to reward our employees, the Directors and other selected participants for their contributions 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 (including executive Directors, non-executive Directors and independent non-executive 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 eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to the participant's contribution to the development and growth 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 the 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 the 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.

An option may be accepted by a participant to whom the offer is made within 5 business days from the date on which the letter containing the offer is delivered to that participant. 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 the 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 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted until April 21, 2026.

No share option of the Company was granted since the adoption of the Share Option Scheme.

INTERIM DIVIDEND

The Board resolved not to declare any payment of interim dividend for the six months ended June 30, 2018.

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 use of net proceeds from global offering for the six months ended June 30, 2018 is set out as follows:

	Use of net proceeds as disclosed in the Prospectus (RMB million)	Actual use of net proceeds up to June 30, 2018 (RMB million)	Unutilised net proceeds up to June 30, 2018 (RMB million)	Expected time of full utilisation of remaining balance
Improve the distribution and sales as well as marketing including (i) brand promotion, advertising and marketing, (ii) expansion of the distributor points of sales overhaul campaign, (iii) expansion of the international sales, and (iv) development of the online platform, including online sales promotion and marketing;	453.7	272.2	181.5	30 June 2020
Business expansion, including (i) purchases of new automated production equipment and production expansion and (ii) potential mergers and acquisitions;	272.2	136.1	136.1	30 June 2020
Research and development of products, improvement of research and development facilities as well as recruitment of research and development personnel; and	90.7	90.7	0	
General working capital	90.7	90.7	0	
Total	907.3	589.7	317.6	

As of the date of this interim report, there were no changes of business plan from that disclosed in the Prospectus. Approximately 65% of the net proceeds had been utilized, which was consistent with the use of proceeds as disclosed in the Prospectus.

CHANGES TO DIRECTORS' INFORMATION

The Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the 2017 annual report of the Company.

AUDIT COMMITTEE REVIEW

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

The Audit Committee and the Company's management have considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting, including the review of the unaudited condensed consolidated interim financial statements of the Group for the Reporting Period.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

		Six months ended	
	Notes	**30 June 2018 RMB'000 (unaudited)**	30 June 2017 RMB'000 (unaudited)
REVENUE from goods	*3A*	**4,582,828**	3,254,454
Cost of sales	*5(a)*	**(3,867,672)**	(2,760,581)
Gross profit		**715,156**	493,873
Other income and gains, net	*4*	**84,799**	85,704
Selling and distribution expenses		**(268,429)**	(165,304)
Administrative expenses		**(190,625)**	(143,066)
Research and development costs		**(108,159)**	(55,091)
Finance costs		**(72)**	–
Profit before tax	*5*	**232,670**	216,116
Income tax expense	*6*	**(37,401)**	(44,525)
Profit for the period		**195,269**	171,591
Profit for the period attributable to:			
Owners of the Company		**194,816**	171,591
Non-controlling interests		**453**	–
		195,269	171,591
Earnings per share			
Basic (cents per share)	*8*	**6.5**	5.7
Diluted (cents per share)		**N/A**	N/A

The notes on pages 18 to 36 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (unaudited)	Six months ended 30 June 2017 RMB'000 (unaudited)
Profit for the period		**195,269**	171,591
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		**(2,311)**	31,122
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**7,715**	(55,237)
Other comprehensive income/(expense) for the period, net of income tax		**5,404**	(24,115)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**200,673**	147,476
Total comprehensive income for the period attributable to:			
Owners of the Company		**200,220**	147,476
Non-controlling interests		**453**	–
		200,673	147,476

The notes on pages 18 to 36 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,099,299	1,081,115
Prepaid land lease payments		282,007	285,592
Intangible assets		15,234	15,938
Equity instruments at fair value through other comprehensive income		13,839	14,068
Prepayments, deposits and other receivables		74,193	75,155
Deferred tax assets		15,275	15,275
		1,499,847	1,487,143
CURRENT ASSETS			
Inventories	10	334,771	338,143
Trade and bills receivables	11	335,149	57,386
Prepayments, deposits and other receivables		295,858	368,706
Receivable from a third party		–	175,541
Wealth management products		1,573,831	2,700,394
Financial assets at fair value through profits or loss		2,781	–
Pledged bank deposits		1,317,002	889,537
Bank balances and cash		1,461,526	988,272
		5,320,918	5,517,979
CURRENT LIABILITIES			
Trade and bills payables	12	3,824,583	4,032,665
Other payables and accruals		220,277	452,217
Contract liabilities		114,920	–
Short-term borrowing		66,210	–
Tax liabilities		18,170	43,136
		4,244,160	4,528,018
Net current assets		1,076,758	989,961
Net assets		2,576,605	2,477,104
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	188	188
Reserves		2,569,660	2,470,612
Equity attributable to owners of the Company		2,569,848	2,470,800
Non-controlling interests		6,757	6,304
Total equity		2,576,605	2,477,104

The notes on pages 18 to 36 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	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 2018	**188**	**(121,024)**	**860,207**	**129,552**	**4,926**	**75,574**	**1,521,377**	**2,470,800**	**6,304**	**2,477,104**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**194,816**	**194,816**	**453**	**195,269**
Other comprehensive income for the period, net of income tax	**–**	**–**	**–**	**–**	**5,404**	**–**	**–**	**5,404**	**–**	**5,404**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**5,404**	**–**	**194,816**	**200,220**	**453**	**200,673**
Dividends recognised as distribution	**–**	**–**	**(101,172)**	**–**	**–**	**–**	**–**	**(101,172)**	**–**	**(101,172)**
At 30 June 2018 (Unaudited)	**188**	**(121,024)**	**759,035**	**129,552**	**10,330**	**75,574**	**1,716,193**	**2,569,848**	**6,757**	**2,576,605**
At 1 January 2017	188	(121,024)	965,123	99,543	54,478	75,574	1,146,688	2,220,570	–	2,220,570
Profit for the period	–	–	–	–	–	–	171,591	171,591	–	171,591
Other comprehensive income for the period, net of income tax	–	–	–	–	(24,115)	–	–	(24,115)	–	(24,115)
Total comprehensive income for the period	–	–	–	–	(24,115)	–	171,591	147,476	–	147,476
Dividends recognised as distribution	–	–	–	–	–	–	(104,147)	(104,147)	–	(104,147)
At 30 June 2017 (Unaudited)	188	(121,024)	965,123	99,543	30,363	75,574	1,214,132	2,263,899	–	2,263,899

(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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (unaudited)	30 June 2017 RMB'000 (unaudited)
Operating activities			
Profit before tax		**232,670**	216,116
Adjustments for:			
Finance costs		**72**	–
Bank interest income	*4*	**(15,036)**	(8,865)
Net loss on disposal of property, plant and equipment	*4*	**678**	734
Depreciation of property, plant and equipment	*5(c)*	**37,963**	39,581
Amortization of prepaid land lease payments	*5(c)*	**3,585**	2,666
Amortization of intangible assets	*5(c)*	**2,485**	2,755
Gains from financial assets at fair value through profit or loss	*4*	**(59,967)**	(28,247)
		202,450	224,740
Increase in pledged bank deposits		**(427,465)**	(86,627)
(Increase)/decrease in trade and bills receivables		**(277,763)**	60,109
Decrease/(increase) in prepayments, deposits and other receivables		**74,706**	(93,513)
Decrease/(increase) in inventories		**3,372**	(8,348)
Decrease in trade and bills payables		**(208,082)**	(146,519)
Increase in other payables and accruals		**26,657**	525
(Decrease)/increase in contract liabilities		**(143,752)**	46,938
Cash used in operations		**(749,877)**	(2,695)
Income tax paid		**(62,367)**	(28,213)
Net cash used in operating activities		**(812,244)**	(30,908)
Investing activities			
Loan to a third party		**–**	(182,259)
Cash received from a third party as loan repayment		**175,541**	–
Interest received from bank deposits		**15,036**	8,865
Purchases of property, plant and equipment		**(57,719)**	(28,400)
Proceeds from disposal of property, plant and equipment		**–**	5,640
Purchases of intangible assets		**(1,780)**	(2,308)
Purchase of wealth management products		**(8,899,127)**	(9,113,316)
Redemption of wealth management products		**10,025,690**	8,867,447
Interest received from wealth management products		**59,967**	–
Net cash from/(used in) investing activities		**1,317,608**	(444,331)

The notes on pages 18 to 36 form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2018

	Notes	Six months ended	
		30 June 2018 RMB'000 (unaudited)	30 June 2017 RMB'000 (unaudited)
Financing activities			
Dividends paid		**(101,172)**	(104,147)
New bank loans raised		**63,429**	–
Net cash used in financing activities		**(37,743)**	(104,147)
Net increase/(decrease) in cash and cash equivalents		**467,621**	(579,386)
Cash and cash equivalents at 1 January		**988,272**	1,801,405
Effect of foreign exchange rate changes		**5,633**	(24,115)
Cash and cash equivalents at 30 June, represented by		**1,461,526**	1,197,904
Bank balances and cash		**1,461,526**	1,197,904

The notes on pages 18 to 36 form an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. GENERAL INFORMATION

Yadea Group Holdings Ltd. (the "**Company**") is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principle place of business of the Company is 31/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**") were principally engaged in the development, manufacture and sale of electric vehicles and related accessories in the People's Republic of China (the "**PRC**").

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

In the opinion of the Directors, the ultimate controlling shareholders of the Company are Mr. Jinggui Dong and Ms. Jinghong Qian (the "**Controlling Shareholders**").

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. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported or disclosures as described below.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue and the related interpretations.

The Group recognises revenue from the sales of electric vehicles and related accessories produced by the Company.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Warranties (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	Carrying amounts under HKFRS 15 at 1 January 2018 RMB'000
Current liabilities			
Other payables and accruals	452,217	(258,672)	193,545
Contract liabilities	–	258,672	258,672

At the date of application, included in the other payables and accruals, RMB258,672,000 related to the advance payment received from customers. These balances were reclassified to contract liabilities upon application of HKFRS 15.

The following table summaries the impacts of applying HKFRS15 on the Group's condensed consolidated statement of financial position as at 30 June 2018. Line items that were not affected by the changes have not been included.

	As reported RMB'000	Adjustment RMB'000	Amounts without application of HKFRS 15 RMB'000
Other payables and accruals	220,277	114,920	335,197
Contract liabilities	114,920	(114,920)	–

RMB114,920,000 related to advance payment received from customer for purchase of the Group's products was included in other payables and accruals. This balance is reclassified to contract liabilities upon application of HKFRS 15.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied HKFRS 9 Financial Instruments, and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts and bills receivables and prepayments, deposits and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts and bills receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in receivable, the cash accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts and bills receivables and prepayments, deposits and other receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The application of ECL model has no material impact on retained profits at 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments (Continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale RMB'000	Equity instrument at FVTOCI RMB'000
Closing balance at 31 December 2017 – HKAS39	14,068	–
Effect arising from initial application of HKFRS9		
From available-for-sale investment	(14,068)	(14,068)
Opening balance at 1 January 2018	–	14,068

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale, of which RMB14,683,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB14,683,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which RMB14,683,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value is approximate the cost at 1 January 2018.

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 RMB'000 (audited)	HKFRS 9 RMB'000	HKFRS 15 RMB'000	1 January 2018 RMB'000 (restated)
Non-current assets				
Available-for-sale investment	14,068	(14,068)	–	–
Equity instruments at FVTOCI	–	14,068	–	14,068
Current liabilities				
Other payables and accruals	452,217	–	(258,672)	193,545
Contract liabilities	–	–	258,672	258,672

3A. REVENUE FROM GOODS

Disaggregation of revenue

	For the six months ended 30 June 2018 RMB'000 (unaudited)
Types of goods	
Electric scooters	**2,349,496**
Electric bicycles	**1,232,400**
Batteries and chargers	**964,094**
Electric two-wheeled vehicle parts	**36,838**
	4,582,828
Timing of revenue recognition	
At point in time	**4,582,828**

3B. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organized 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 sale to a single customer amounted to 10% or more of the Group's revenue for the reporting period, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

4. OTHER INCOME AND GAINS, NET

	Six months ended	
	30 June 2018 RMB'000 (unaudited)	30 June 2017 RMB'000 (unaudited)
Gains from financial assets at fair value through profit or loss	**59,967**	28,247
Bank interest income	**15,036**	8,865
Government grants	**8,398**	40,296
Net loss on disposal of property, plant and equipment	**(678)**	(734)
Others	**2,076**	9,030
	84,799	85,704

5. PROFIT BEFORE TAX

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

	Six months ended	
	30 June 2018 RMB'000 (unaudited)	30 June 2017 RMB'000 (unaudited)
(a) Cost of sales		
Cost of inventories sold	**3,867,672**	2,760,581
(b) Employee benefit expense (including Directors' and chief executive's remuneration)		
Wages and salaries	**161,105**	125,931
Pension scheme contributions (defined contribution scheme), social welfare and other welfare	**26,994**	21,100
	188,099	147,031

5. PROFIT BEFORE TAX (Continued)

(c) Other items

	Six months ended	
	30 June 2018 RMB'000 (unaudited)	30 June 2017 RMB'000 (unaudited)
Depreciation of property, plant and equipment	**37,963**	39,581
Amortization of prepaid land lease payments	**3,585**	2,666
Amortization of intangible assets	**2,485**	2,755
Auditors' remuneration	**1,636**	1,210
Research and development costs *(note)*	**108,159**	55,091
Operating lease expenses	**6,179**	7,265

Note: Research and development costs included wages and salaries amounting to RMB13,682,000 for the six months ended 30 June 2018 (the six months ended 30 June 2017: RMB11,524,000), which are also included in employee benefit expenses as disclosed in note 5(b) above.

6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2018 RMB'000 (unaudited)	30 June 2017 RMB'000 (unaudited)
Current – Mainland China		
Enterprise income tax for the period	**37,401**	44,261
Deferred tax	**–**	264
Income tax expense for the period	**37,401**	44,525

7. DIVIDENDS

During the current interim period, a final dividend of HK4 cents per share in respect of the year ended 31 December 2017 (2017: HK4 cents per share in respect of the year ended 31 December 2016) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HKD120,000,000, equivalent to RMB101,172,000 (2016: HKD120,000,000, equivalent to RMB104,147,000).

8. EARNINGS PER SHARE

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

	Six months ended	
	30 June 2018 RMB'000 (unaudited)	30 June 2017 RMB'000 (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share		
Profit of the period attributable to owners of the Company	**194,816**	171,591
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,000,000,000**	3,000,000,000

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with cost of RMB56,825,000 (six months ended 30 June 2017: RMB23,889,000).

Property, plant and equipment with a net book value of RMB678,000 were disposed of by the Group during the six months ended 30 June 2018 (the six months ended 30 June 2017: RMB6,374,000).

As at 30 June 2018, certain of the Group's buildings and construction in progress with an aggregate net carrying amount of RMB409,111,000 (31 December 2017: RMB425,511,000) were pledged to secure the Group's bills payable.

10. INVENTORIES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Raw materials	**119,509**	120,713
Finished goods	**215,262**	217,430
	334,771	338,143

11. TRADE AND BILLS RECEIVABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade receivables	325,255	55,343
Impairment	(2,306)	(2,306)
	322,949	53,037
Bills receivable	12,200	4,349
	335,149	57,386

Full payment is typically required from customers of the Company before delivery of goods, except for certain customers in respect of credit sales. The following is an analysis of trade receivables by age, presented based on the billing date, which approximated the revenue recognition date.

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within 6 months	325,255	53,037

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the current interim period, the Group provided nil impairment allowance.

12. TRADE AND BILLS PAYABLES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade payables	**1,500,569**	1,334,282
Bills payable	**2,324,014**	2,698,383
Trade and bills payables	**3,824,583**	4,032,665

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within 3 months	**436,103**	387,776
3 to 6 months	**940,511**	844,290
6 to 12 months	**69,359**	61,673
12 to 24 months	**32,921**	21,270
Over 24 months	**21,675**	19,273
	1,500,569	1,334,282

Included in the trade and bills payables are trade payables to the Group's related parties of RMB481,000 (31 December 2017: RMB5,483,000) as at 30 June 2018 and bills payable to the Group's related parties of RMB nil (31 December 2017: RMB7,330,000) as at 30 June 2018, respectively. 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 15(e).

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

13. 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 31 December 2016 and 2017 and 30 June 2017 and 2018	3,000,000,000	30
Equivalent to RMB'000		188

14. COMMITMENTS

(a) Capital commitments

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Commitments for the acquisition of property, plant and equipment	**105,698**	75,017

(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:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within one year	**10,571**	10,931
In the second to fifth years, inclusive	**25,015**	26,775
After five years	**19,750**	22,334
	55,336	60,040

15. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name	Relationship
Dongguan Hanrun Vehicle Fittings Co., Ltd. ("**Dongguan Hanrun**")	Controlled by close family members of the Controlling Shareholders
E-Zebra Intelligent Technology (Beijing) Co., Ltd. ("**E-Zebra**")	Controlled by the Controlling Shareholders
Ningbo Suogao Shock Absorber Co., Ltd. ("**Ningbo Suogao**")	Controlled by close family members of the Controlling Shareholders
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

15. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Transactions with related parties

(i) Purchases of products

	Six months ended	
	30 June 2018 RMB'000 (unaudited)	30 June 2017 RMB'000 (unaudited)
Wuxi Xingwei	**10,857**	8,276
Tianjin Xingwei	**–**	4,494
Ningbo Suogao	**–**	83
	10,857	12,853

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

(ii) Sales of products

	Six months ended	
	30 June 2018 RMB'000 (unaudited)	30 June 2017 RMB'000 (unaudited)
E-Zebra	**–**	4,981

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

(c) Due from related parties

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
E-Zebra	**721**	721

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

15. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(d) Advance payments to related parties:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Wuxi Xingwei	**13,657**	11,088
Dongguan Hanrun	**–**	1,901
	13,657	12,989

(e) Due to related parties:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Trade payables		
Wuxi Daen	**272**	272
Wuxi Colorful	**200**	200
Ningbo Suogao	**9**	129
Tianjin Xingwei	**–**	4,882
	481	5,483
Bills payable		
Wuxi Xingwei	**–**	6,080
Tianjin Xingwei	**–**	1,250
	–	7,330

All amounts due to related partied were unsecured and non-interest-bearing and to be settled in accordance with the agreed credit terms or were payable on demand.

15. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(f) Compensation of key management personnel of the Group:

	Six months ended	
	30 June 2018 RMB'000 (unaudited)	30 June 2017 RMB'000 (unaudited)
Salaries	**1,734**	1,678
Pension scheme contribution and social welfare	**89**	176
	1,823	1,854

16. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Financial assets		
Fair value through profit or loss	**1,202,275**	1,950,394
Loans and receivables (including cash and cash equivalents)	**3,270,157**	2,900,695
Equity instruments at fair value through other comprehensive income	**13,839**	14,068
	4,486,271	4,865,157
Financial liabilities		
At amortised cost	**3,951,395**	4,133,764

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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).

Assets measured at fair value

	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**
As at 30 June 2018			
Wealth management products	**–**	**1,199,494**	**–**
Foreign currency forward contract	**–**	**2,781**	
Equity instruments at fair value through other comprehensive income	**–**	**–**	**13,839**
	–	**1,202,275**	**13,839**

	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
As at 31 December 2017			
Wealth management products	–	1,950,394	–

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.

18. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2018.