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

2018
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF 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

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 (resigned on 31 August 2018)
Ms. Lam Yuk Ling (appointed on 31 August 2018)

AUTHORIZED REPRESENTATIVES

Mr. Liu Yeming
Ms. Wong Sau Ping (resigned on 31 August 2018)
Ms. Lam Yuk Ling (appointed on 31 August 2018)

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

CORPORATE INFORMATION (continued)

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

AUDITOR

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

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

CORPORATE PROFILE

Founded in 2001 and headquartered in Shanghai, Yadea Group Holdings Ltd. ("**Yadea**" or the "**Company**" and together with its subsidiaries, the "**Group**") is a leading electric two-wheeled vehicle brand in the People's Republic of China ("**PRC**"), focusing on designing, researching, developing, manufacturing and selling electric scooters, electric bicycles and related accessories. Over the course of 18 years, it has successfully established "Yadea" as a premium brand of electric two-wheeled vehicles in the PRC. Under "Yadea" brand, the Group offers a wide range of electric scooters and electric bicycles with diverse designs, styles and functionalities catering to the needs of a broad customer base. As at 31 December 2018, the Group had 113 models of electric scooters and 81 models of electric bicycles for customers to choose from.

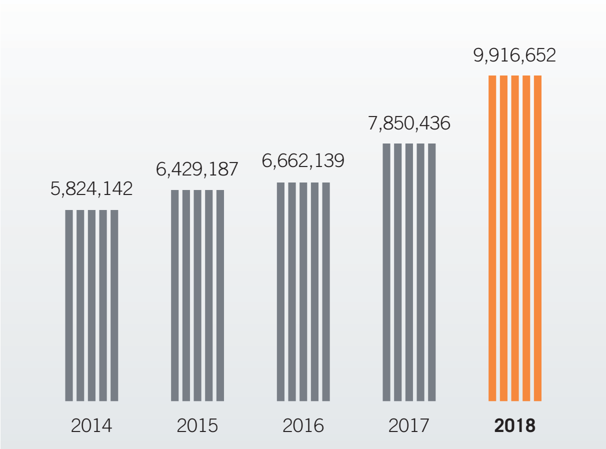
The Group has four self-operated production facilities located in Wuxi, Tianjin, Cixi and Qingyuan, respectively. As of 31 December 2018, the Group had annual electric two-wheeled vehicle production capacity of approximately 6.0 million units, supported by more than 3,000 employees. It also has a strong research and development team based in Shanghai and Wuxi with 340 research and development professionals with various product design background for electric two-wheeled vehicles.

The Group's domestic network covered almost every administrative region of the PRC and consisted of 1,824 distributors as well as their subdistributors with over 9,000 points of sales as at 31 December 2018. The Group also had export sales to over 70 countries through its international distribution network.

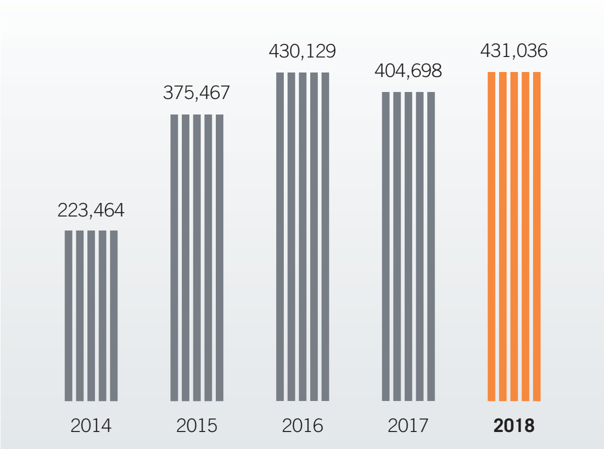
The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 May 2016 under the stock code of 1585.

FINANCIAL HIGHLIGHTS

REVENUE
RMB'000

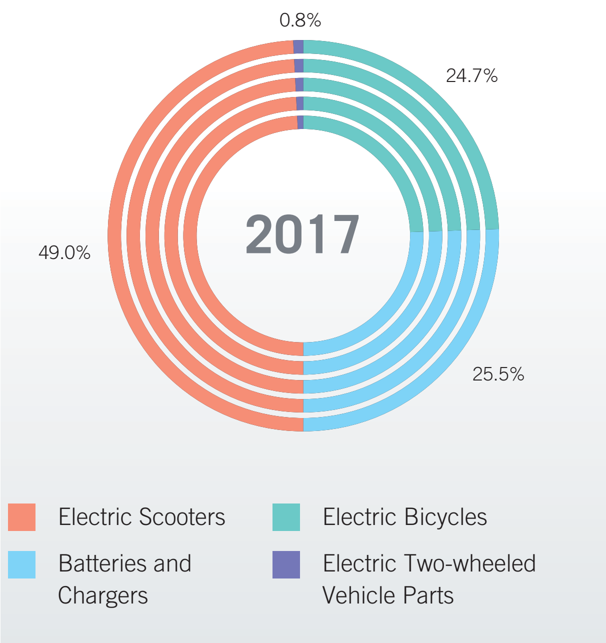


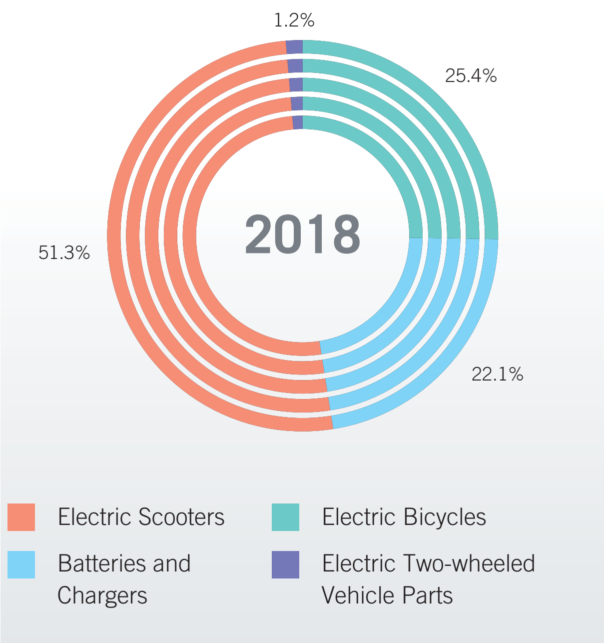
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
RMB'000



Consolidated revenue increased 26.3% year-on-year to RMB9,916.7 million

REVENUE GENERATED BY PRODUCT TYPE





FINANCIAL HIGHLIGHTS (continued)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**9,916,652**	7,850,436	6,662,139	6,429,187	5,824,142
Cost of sales	**(8,297,067)**	(6,682,040)	(5,309,375)	(5,211,994)	(4,855,684)
Gross profit	**1,619,585**	1,168,396	1,352,764	1,217,193	968,458
Profit before tax	**478,744**	479,328	554,416	490,867	306,703
Income tax expense	**(46,427)**	(74,326)	(124,287)	(115,400)	(83,239)
Profit for the year attributable to					
– Owners of the parent	**431,036**	404,698	430,129	375,467	223,464
– Non-controlling interests	**1,281**	304	–	–	–

CONDENSED CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**7,759,187**	7,005,122	5,865,962	3,989,768	2,917,311
Total liabilities	**4,939,469**	4,528,018	3,645,392	3,207,931	2,400,738
Total equity	**2,819,718**	2,477,104	2,220,570	781,837	516,573

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present to you the annual results of the Group for the year ended 31 December 2018.

Building on the momentum and achievements of the past two years, 2018 was yet another solid year for the Group. The Group sold an aggregate of approximately 5,039,900 units (which comprised of approximately 2,994,500 units of electric scooters and 2,045,400 units of electric bicycles respectively) of electric two-wheeled vehicles in 2018, which was a new record high. Revenue of the Group is up approximately 26.3% to RMB9,916.7 million in 2018 as compared with the same period of previous year. The Group's revenue has in fact consecutively set new records over the past five years.

The strong performance of the Group in 2018 was largely driven by the increasing demand of Yadea's electric two-wheeled vehicles as a result of successful marketing and branding strategies implemented by the management. Yadea sponsored the 2018 FIFA World Cup™, the first ever electric two-wheel vehicle brand to act as a FIFA World Cup™ regional supporter. The cooperation with FIFA further enhance the Group's brand recognition to build 'Yadea" into a globally renowned electric two-wheeled vehicles brand and deepen the Group's market penetration in the PRC and other countries.

To share the fruitful results of the Group among all the shareholders of the Company ("**Shareholders**"), the Board recommends the payment of a final dividend of 4.0 HK cents per share, which is subject to the approval of Shareholders at the 2018 annual general meeting.

I would like to take this opportunity to express my heartfelt gratitude to my fellow Directors, and our customers, employees, suppliers, business partners and other stakeholders for their continuous support to the Group.

Yours sincerely,
Dong Jinggui
Chairman

29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2018 has been both an eventful and fruitful year for the Group. "Yadea" was named as a regional supporter of the 2018 FIFA World Cup™, the first ever electric two-wheel vehicle brand to act as a FIFA World Cup™ regional supporter. Being one of the most watched sport events, the FIFA World Cup™ fits seamlessly with the Group's strategy of internationalisation and premium positioning. The cooperation with FIFA is a new benchmark for the Group. The Group rolled out a series of marketing campaigns such as launching limited edition electric scooters and sweepstakes for the 2018 FIFA World Cup™ tickets to set its regional promotional campaigns in motion in parallel to the 2018 FIFA World Cup™. The successful marketing campaigns translated into a considerable growth of sales, with revenue up approximately 26.3% to RMB9,916.7 million for 2018 compared with the same period of previous year. The Group sold an aggregate of approximately 5,039,900 units (which comprised of approximately 2,994,500 units of electric scooters and 2,045,400 units of electric bicycles respectively) of electric two-wheeled vehicles during the year, representing an increase of 24.1% from the previous year. Gross profit for the Group increased by approximately 38.6% from RMB1,168.4 million in 2017 to RMB1,619.6 million in 2018, and the gross profit margin increased slightly by 1.4% from approximately 14.9% in 2017 to approximately 16.3% in 2018. The Group remains in a healthy financial position with RMB1,973.4 million in cash and cash equivalents and continues to enjoy strong cash flows with healthy net cash generated from operating activities.

As an innovation leader in the PRC electric two-wheeled vehicles market, The Group has continued to deliver new models of electric two-wheeled vehicles with advanced performance characteristics and fashionable designs to its customers. The Group launched the diamond edition electric bicycle in 79 countries simultaneously, with five core competitive advantages (i.e. stronger power, comfort, safer driving, longer life cycle and higher performance). It also showcased its new G5 electric scooter in Milan, at EICMA, the world's largest international motorcycle trade fair. The G5, electric scooter is equipped with the Group's proprietary GTR3.0 high-performance electric motor, a new-generation Panasonic high-energy power lithium battery and battery management system backed by Panasonic-certified battery PACK technology that prevents deterioration of the battery module, extends service life, and assures stable delivery of output power. During the year, the Group has successfully introduced 26 new electric scooters and 21 new electric bicycles and upgraded 31 electric scooters and 15 electric bicycles.

To expand the Group's production capacity to cope with the increasing demand of electric two-vehicles in the PRC, in December 2018, the Group commenced the construction of a new production facility in Anhui, with site area of approximately 200,000 square meters. The phase I of new production facility is expected to be completed in early 2020, to be followed by trial production. Once the new production site is put into operation, the Group's estimated maximum production capacity of electric two-wheeled vehicles will increase from approximately 6.0 million units to approximately 7.5 million units per year, up by approximately 25%. The new production site will play a crucial role in supporting growing demand for the Group's electric two-wheeled vehicles by providing additional capacity in the medium-to-long term.

OUTLOOK

In view of the fast evolving and competitive nature of the PRC electric two-wheeled vehicles market, the management's top priority will continue to be expanding the Group's market share in the PRC and further promoting the "Yadea" brand by taking strategic marketing initiatives to drive heightened awareness and market recognition for the "Yadea" brand domestically and internationally, investing in research and development to enhance the Group's capability for innovation, in particular, on the design of new products and new technology for core parts and components, and expanding the Group's sale and service network as well as improving the distributors' points of sales and the customer experience. As a market leader with a solid business foundation, strong brand equity and experienced management, the Group possesses the means and methods for overcoming challenges that may emerge. We will not grow complacent, however, and will continue to seek constant innovation, as well as strive to introduce more models of electric two-wheeled vehicles at competitive prices, so that more people can have access to premium-quality, electric-powered motorcycles, bicycles and scooters and enjoy a greener life.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB9,916.7 million, representing an increase of approximately 26.3% from RMB7,850.4 million in 2017. Revenue from the sales of electric scooters increased by approximately 32.0%, from RMB3,850.4 million in 2017 to RMB5,083.8 million in 2018, and revenue from the sales of electric bicycles increased by approximately 25.8%, from RMB1,998.2 million in 2017 to RMB2,514.5 million in 2018, primarily due to the increase in sales volume as a result of successful marketing campaigns and enhanced brand awareness. The average selling prices of the electric scooters increased from RMB1,675 in 2017 to RMB1,698 in 2018, and that of the electric bicycles increased from RMB1,135 in 2017 to RMB1,229 in 2018.

	For the year ended 31 December 2018			For the year ended 31 December 2017		
Product Type	**Revenue (RMB'000)**	**Percentage of total (%)**	**Volume '000 units**	Revenue (RMB'000)	Percentage of total (%)	Volume '000 units
Electric scooters	**5,083,846**	**51.3**	**2,994.5**	3,850,366	49.0	2,299.0
Electric bicycles	**2,514,486**	**25.4**	**2,045.4**	1,998,207	25.5	1,761.0
Subtotal	**7,598,332**	**76.7**	**5,039.9**	5,848,573	74.5	4,060.0
Batteries and chargers	**2,195,189**	**22.1**	**Batteries: 3,797.1 Chargers: 3,488.8**	1,935,822	24.7	Batteries: 3,953.8 Chargers: 2,643.0
Electric two-wheeled vehicle parts	**123,131**	**1.2**	**N/A**	66,041	0.8	N/A
Total	**9,916,652**	**100.0**	**12,325.8**	7,850,436	100.0	10,656.8

Cost of sales

Cost of sales of the Group increased by approximately 24.2% from RMB6,682.0 million in 2017 to RMB8,297.1 million in 2018, which is in line with the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, gross profit for the Group increased by approximately 38.6% from RMB1,168.4 million in 2017 to RMB1,619.6 million in 2018, and the gross profit margin increased by 1.4% from approximately 14.9% in 2017 to approximately 16.3% in 2018, primarily due to the increase of average selling prices of certain models of electric scooters and electric bicycles.

Other income and gains

Other income and gains of the Group decreased by approximately 9.5% from RMB181.6 million in 2017 to RMB164.4 million in 2018, primarily due to the decrease in government grant, offset by the increase in bank interest income, gains on financial assets at fair value through profit or loss and others.

Administrative expenses

Administrative expenses of the Group increased by approximately 30.0% from RMB321.1 million in 2017 to RMB417.2 million in 2018, primarily due to the increases in headcount relating to the expansion of the Group's business and average staff salaries and bonuses.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 58.6% from RMB366.9 million in 2017 to RMB581.8 million in 2018, primarily due to the increase in advertising and promotion expenses as the Group sponsored the 2018 FIFA World Cup™ and rolled out a series of marketing campaigns in motion in parallel to the 2018 FIFA World Cup™.

Research and development costs

Research and development costs increased by approximately 67.3% from RMB182.6 million in 2017 to RMB305.4 million in 2018, primarily due to the continued investment in various research and development projects relating to the new designs and technology for parts and components.

Finance costs

The Group incurred RMB0.8 million finance costs in 2018 due to the interest expense incurred relating to a bank loan (which had been fully repaid as at 31 December 2018).

Income tax expense

Income tax expense decreased by approximately 37.6% from RMB74.3 million in 2017 to RMB46.4 million in 2018, primarily due to (i) two of the Group's operating subsidiaries qualified for High and New Technology Enterprise status, which benefited from a preferential PRC income tax rate of 15%, rather than the 25% income tax rate generally applicable to PRC tax resident enterprises, and (ii) an increase in research and development tax deductions claimed by the Group as a result of more favorable tax policy in the PRC.

Profit for the year

As a result of the cumulative effect of the foregoing, profit of the Group increased by approximately 6.7% from RMB405.0 million in 2017 to RMB432.3 million in 2018.

LIQUIDITY AND FINANCIAL RESOURCES

Cash flow

As at 31 December 2018, the Group's cash and cash equivalents amounted to RMB1,973.4 million, representing an increase of approximately 99.7% from RMB988.3 million as at 31 December 2017.

The Group's primary source of funding comes from cash flows generated from its operating activities. As at 31 December 2018, the Group did not have any borrowings. Taking into consideration the Group's current bank balances and cash and the expected cash flow from operations, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Net cash generated from operating activities was RMB319.6 million in 2018, as compared with net cash generated from operating activities of RMB1,158.8 million in 2017. Net cash generated from investing activities was RMB751.4 million in 2018, as compared with net cash used in investing activities of RMB1,824.1 million in 2017. Net cash used in financing activities in 2018 was RMB119.6 million, as compared with net cash used in financing activities of RMB98.9 million in 2017.

Net current assets

As at 31 December 2018, the Group had net current assets of RMB1,185.1 million, as compared with net current assets of RMB990.0 million as at 31 December 2017.

Inventories

The Group's inventories consist of raw materials and finished goods. The Group's inventories decreased by approximately 23.2% from RMB338.1 million as at 31 December 2017 to RMB259.5 million as at 31 December 2018, primarily due to the increase in the sales of goods. The average inventory turnover days in 2018 decreased to 13.0 days from 14.8 days in 2017.

Trade receivables

Trade receivables increased from RMB53.0 million as at 31 December 2017 to RMB278.1 million as at 31 December 2018, primarily due to the increase in the sales of goods.

Wealth management products and structured deposits

The wealth management products and structured deposits 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 and structured deposits decreased by approximately 27.1% from RMB2,700.4 million as at 31 December 2017 to RMB1,967.5 million as at 31 December 2018. Such decrease was primarily due to the decreased purchase of wealth management products and structured deposits.

Trade and bills payables

Trade and bills payables increased from RMB4,032.7 million as at 31 December 2017 to RMB4,580.4 million as at 31 December 2018, primarily due to the increase in purchases in line with the increase in the sales of goods.

Gearing Ratio

No gearing ratio is presented as the Group had no bank borrowings in 2018.

Currency 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 products that are conducted in USD. Foreign currency risk arises when commercial transactions or recognised assets or liabilities are denominated in currency other than the entities' functional currency. The Group is exposed to foreign currency risk primarily with respect to USD.

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

Human resources

As at 31 December 2018, the Group had 3,703 employees, as compared with 3,539 employees as at 31 December 2017 as the Group hired additional production employees and research and development employees. Total staff costs in 2018, including labour outsourcing cost but excluding the Directors' remunerations, were RMB428.2 million, representing an increase of approximately 8.5% from RMB394.5 million in 2017. 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 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 bills payable which were used to finance daily business operation. As at 31 December 2018, the pledged assets of the Group amounted to RMB2,162.0 million.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group during the year ended 31 December 2018.

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 were no significant events relevant to the business or financial performance of the Group that has come to the attention of the Directors since 31 December 2018.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report of the Group for the year ended 31 December 2018.

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 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 Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange. For the year ended 31 December 2018, 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 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.

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 23 to page 27 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 2018, 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. Wu Biguang, Mr. Li Zongwei and Mr. Yao Naisheng will retire at the annual general meeting to be held on Wednesday, 5 June 2019 (the "**2019 AGM**"), and, being eligible, offer themselves for re-election at the 2019 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 2018, 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 2018 is set out in the table below:

	Attendance/Number of Meetings				
Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**General Meeting**
Executive Directors					
Mr. Dong Jinggui *(Chairman)*	8/8	1/1	–	–	1/1
Ms. Qian Jinghong	8/8	1/1	–	–	1/1
Mr. Liu Yeming	8/8	–	1/1	–	1/1
Mr. Shi Rui	8/8	–	–	–	1/1
Mr. Shen Yu	8/8	–	–	–	1/1
Independent Non-executive Directors					
Mr. Li Zongwei	8/8	1/1	–	2/2	1/1
Mr. Wu Biguang	8/8	1/1	1/1	2/2	1/1
Mr. Yao Naisheng	8/8	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 Association 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 2018.

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.

Dividend Policy

The Company has adopted an overall dividend policy that aims to provide Shareholders with satisfactory and reasonable dividend returns. The Company will determine the proportion of cash dividends for each year based on the actual situation of that year and consider factors including the following:

The declaration and payment of dividends shall be determined by the Board at its absolute discretion and shall comply with all applicable requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Articles of Association (including but not limited to restrictions on declaration and payment of dividends).

When proposing any dividend payment, the Board shall also consider (among other matters):

- Actual and expected financial results of the Group;
- Legal and compliance restrictions;
- Overall business conditions and strategies;
- The level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- The Group's expected working capital requirements and future expansion plans;
- Retained profits and distributable reserves of the Company and each of the members of the Group;
- Interests of Shareholders;
- Any contractual restrictions on the payment of dividends by the Company to its Shareholders or the payment of dividends by the Company's subsidiaries to the Company;
- Possible effects on the Group's creditworthiness;
- Taxation considerations;
- Liquidity position and future commitments at the time of declaration of dividends;
- General economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- Other factors that the Board deems appropriate.

Except in the case of interim dividends (see below), any dividend declared by the Company must be approved by the Shareholders' ordinary resolution at the annual general meeting and shall not exceed the amount of dividends proposed by the Board.

The Board may from time to time pay to the Shareholders such interim dividends when the Directors prove that the Company has profits available for distribution. In addition to cash, dividends may be distributed in the form of shares if they do not contravene but comply with the procedures of the Articles of Association.

The Company will continue to review this policy and reserve its sole and absolute discretion to update, revise, and/or modify this policy at any time.

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.

Nomination Policy

The purpose of this policy is to state the guidelines for the Nomination Committee on selection, appointment and re-appointment of Directors.

This policy aims to ensure the Board achieves a balance among skills, experience, knowledge and diverse perspectives, which meets the Company's business requirements.

The Nomination Committee will take into account the following criteria with due consideration for the assessment, selection and recommendation to the Board of the proposed Director. The criteria include but not limited to:

(a) Diversification, including but not limited to gender, age, cultural background and educational background, professional experience, skills, knowledge and length of service;

(b) Commitment to the duties of the Board;

(c) Qualifications, including achievements and experience in the relevant industries the Company's business is involved in;

(d) Independence;

(e) Reputation for integrity; and

(f) Potential contributions that the individual(s) can bring to the Board.

The Nomination Committee will take into account the following criteria with due consideration to assess and recommend to the Board of one or more retiring Directors subject to re-appointment. The criteria include but not limited to:

(a) The overall contribution and service of the retiring Director(s) to the Company, including but not limited to the attendance at the meetings of the Board and/or meetings and general meetings of its committees (where applicable), and the level of participation and performance of the Board and/or its committees; and

(b) Whether the retiring Director(s) continue to meet these criteria.

In addition to these criteria, the Nomination Committee will take into account a number of factors with due consideration to assess and recommend one or more candidates to serve as an independent non-executive Director. The factors include but not limited to those factors set out in Rules 3.10(2) and 3.13 of the Listing Rules and are subject to amendments from time to time.

The Nomination Committee will make recommendations to the Board for the appointment of Directors in accordance with the following procedures and processes:

(a) The Nomination Committee will, after giving due consideration to the current composition and size of the Board, prepare a list of desirable skills, perspectives and experience so as to devote its efforts in identifying candidates from the beginning;

(b) The Nomination Committee may, after giving due consideration to these criteria, identify or select suitable candidates through various methods, including referrals from existing Directors, advertising, recommendations from third party agency firms and proposals from Shareholders;

(c) The Nomination Committee may carry out verification by ways such as interviews, reference checks, brief statements and third party references when evaluating the suitability of the candidates;

(d) Upon considering the suitability of a candidate for the directorship, the Nomination Committee will hold a meeting and/or by way of a written resolution, if thought fit, to approve the recommendations to the Board for appointment;

(e) The Nomination Committee will then make recommendations to the Board in respect of the proposed appointment. In case of a non-executive Director, the Remuneration Committee will make recommendations on the proposed remuneration package to the Board; and

(f) The Board may arrange for the selected candidates to be interviewed by the members of the Board who are not members of the Nomination Committee, and the Board will thereafter deliberate and decide the appointment (as the case may be).

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 consolidated financial statements. The remuneration paid to the senior management of the Company (exclusive of Directors) for the year ended 31 December 2018 was within the range below:

Range of remuneration	No. of person
Nil to HKD1,000,000	–
HKD1,000,001 to HKD1,500,000	–
HKD1,500,001 to HKD2,000,000	3
HKD2,000,001 to HKD3,000,000	1

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 2018.

For the year ended 31 December 2018, 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 2018;

 (ii) the interim results announcement of the Group for the six months ended 30 June 2018; and

 (iii) the interim report of the Company for the six months ended 30 June 2018.

(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 2018 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 2018 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' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2018.

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 44 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 44 to page 45 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 2018 is set out below:

Service Category	Fee paid/payable (RMB'000)
Audit services	2,700
Non-audit services (tax services)	600
Total	3,300

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; and
- 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 whistle blowing 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 2018, 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.

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

Upon the resignation of Ms. Wong Sau Ping as one of the joint company secretaries of the Company with effect from 31 August 2018, the Company appointed Ms. Lam Yuk Ling to fill the vacancy. As at 31 December 2018. Mr. Shen Yu and Ms. Lam Yuk Ling 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. Lam Yuk Ling is a 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 2018. The biographical details of Mr. Shen Yu and Ms. Lam Yuk Ling are set out on page 27 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 Joint Company Secretary either via personal delivery or mail (for the attention of the Board/Joint Company Secretary, at 31/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/Joint Company Secretary, at 31/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 31/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 2018, 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 & SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. Dong Jinggui (董經貴), aged 50, 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 the Group companies, Mr. Dong has been a director of Jiangsu Yadea 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 Jinghong. 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 47, 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 Jinggui. 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 48, 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 42, 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 44, 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 (吳郯光), aged 62, 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 47, 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. (上海賽領暉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 47, 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. Liu Yeming and Mr. Shi Rui, please refer to the "Directors – Executive Directors" section above.

Mr. Wang Jiazhong (王家中), aged 41, 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 the 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 completed the Executive Master of Business Administration Program at Tianjin University (天津大學) in June 2018.

Mr. Zhou Chaoyang (周朝陽), aged 36, 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 has also been the general manager of Yadea Sales since April 2016.

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 45, has been the chief officer of products of the Group since he joined the Group in April 2013 and was appointed as a vice president of the Group on January 2018. 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 37, 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 45, 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. Lam Yuk Ling (林玉玲) was appointed as the Joint Company Secretary on 31 August 2018. Ms. Lam is a manager of the listing services department of TMF Hong Kong Limited. She has over 10 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. Lam is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in United Kingdom.

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

REPORT OF DIRECTORS

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 2018.

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 the PRC. The principal activities and other details of subsidiaries of the Company are set out in note 1 to the consolidated 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 2018 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 37 of the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2018 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 2018 and for the past four financial years are set out from page 5 to page 6 of this annual report.

RESERVES

As at 31 December 2018, distributable reserves of the Group amounted to RMB1,918 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 2018 (the "**Proposed Final Dividend**") (for the year ended 31 December 2017: 4.0 HK cents per ordinary Share). The Proposed Final Dividend is subject to the approval of the Shareholders at the forthcoming 2019 AGM and the Proposed Final Dividend will be paid on Tuesday, 2 July 2019 to Shareholders whose names appear on the register of members of the Company on Monday, 17 June 2019.

ANNUAL GENERAL MEETING

The 2019 AGM will be held on Wednesday, 5 June 2019. Notice of the 2019 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 2019 AGM, the register of members of the Company will be closed from Thursday, 30 May 2019 to Wednesday, 5 June 2019, both dates inclusive, during which time no transfer of Shares will be registered. To qualify for attending and voting at the 2019 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 Wednesday, 29 May 2019 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 Thursday, 13 June 2019 to Monday, 17 June 2019, 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 Wednesday, 12 June 2019 for registration of the relevant transfer.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2018 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements. For the year ended 31 December 2018, 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 16 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 1,824 distributors as well as their sub-distributors with over 9,000 points of sales as at 31 December 2018. Internationally, we made our sale in over 70 countries through our international distribution network.

A review and analysis of the Group's business, results and performance during the year ended 31 December 2018, 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 and Analysis" from page 8 to page 11 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 – currency risk" under the "Management Discussion and Analysis" in this annual report.

IMPORTANT EVENTS

Save as disclosed above, there were no important events during and after 31 December 2018.

FUTURE DEVELOPMENT

In view of the fast evolving and competitive nature of the PRC electric two-wheeled vehicles market, the management's top priority will continue to be expanding the Group's market share in the PRC and further promoting the "Yadea" brand by taking strategic marketing initiatives to drive heightened awareness and market recognition for the "Yadea" brand domestically and internationally, investing in research and development to enhance the Group's capability for innovation, in particular, on the design of new products and new technology for core parts and components, and expanding the Group's sale and service network as well as improving the distributors' points of sales and the customer experience. As a market leader with a solid business foundation, strong brand equity and experienced management, the Group possesses the means and methods for overcoming challenges that may emerge. We will not grow complacent, however, and will continue to seek constant innovation, as well as strive to introduce more models of electric two-wheeled vehicles at competitive prices, so that more and more people can have access to premium-quality, electric-powered motorcycles, bicycles and scooters and enjoy a greener life.

FINANCIAL KEY PERFORMANCE INDICATORS

For the reporting period, our revenue increased by approximately 26.3% to approximately RMB9,916.7 million as compared with the year ended 31 December 2017. Our gross profit increased by approximately 38.6% to approximately RMB1,619.6 million as compared with the year ended 31 December 2017. Profit attributable to the owners of the Company increased by approximately 6.5% to approximately RMB431.0 million as compared with the year ended 31 December 2017.

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 year ended 31 December 2018 is set out as follows:

	Use of net proceeds as disclosed in the Prospectus (RMB million)	Actual use of net proceeds up to 31 December 2018 (RMB million)	Unutilised net proceeds up to 31 December 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	326.6	127.1	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	644.1	263.2	

As of the date of this annual report, there were no changes of business plan from that disclosed in the prospectus of the Company dated 9 May 2016 (the "**Prospectus**"). Approximately 70.1% of the net proceeds had been utilized, 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 2018 amounted to nil, which is within the annual cap for the year ended 31 December 2018.

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 2018 amounted to nil, which is within the annual cap for the year ended 31 December 2018.

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 2018 amounted to approximately RMB11,079,000, which is within the annual cap for the year ended 31 December 2018.

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 2018 amounted to nil, which is within the annual cap for the year ended 31 December 2018.

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 2018 amounted to nil, which is within the annual cap for the year ended 31 December 2018.

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 2018 amounted to nil, which is within the annual cap for the year ended 31 December 2018.

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 has provided 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 has been 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 2018, 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 2018.

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 2018.

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. Wu Biguang, Mr. Li Zongwei and Mr. Yao Naisheng will retire at the 2019 AGM to be held on Wednesday, 5 June 2019 and, being eligible, offer themselves for re-election at the 2019 AGM.

None of the Directors proposed for re-election at the forthcoming 2019 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 2018.

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' AND CHIEF EXECUTIVES' 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:

REPORT OF DIRECTORS (continued)

Name of Director	Nature of interest	Number of Shares (Note 5)	Approximate Number of 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 2018.

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 2018 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 2018.

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 the 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 2018 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 2018 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.

SHARE AWARD SCHEME

On 26 December 2018 (the "**Adoption Date**"), the Company adopted the share award scheme (the "**Share Award Scheme**").

The purposes and objectives of the Share Award Scheme are to recognise the contributions by certain participants and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Board may from time to time, subject always to the rules of the Share Award Scheme, at its absolute discretion, select any employee, director, consultant, settlor, subsidiary or associate (excluding those are restricted by laws and regulation) for participation in the Share Award Scheme and impose any conditions as it deems appropriate with respect to the entitlement of those selected participants to the awarded shares (the "**Selected Participants**"). On the same date, a trust was established under a trust deed entered into by the Company to administer the Share Award Scheme, and for the purchase or subscription of the Shares, based on financial support given by the Group. Any Shares subsequently awarded by the Company to the Selected Participants will be settled with the Shares held by the trust on behalf of the Company. The Directors have determined that the Company controls the trust through the trust deed and therefore consolidates the trust.

Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

The Directors shall not make any award of Shares which will result in the total number of the Shares awarded by the Board under the Share Award Scheme exceeding 10% of the total number of issued Shares as at the Adoption Date. The maximum number of Shares which may be allocated and awarded to a Selected Participant under the Share Award Scheme shall not exceed 1% of the total number of issued Shares as at the date of such award. The maximum number of Shares which may be allocated and awarded to a Selected Participant who is an independent non-executive Director shall not exceed 0.1% of the total number of issued Shares at the date of such award and the aggregate value of which shall not exceed HKD5,000,000 (based on the closing price of the Shares on the business day immediately preceding the date of award).

During the year ended 31 December 2018, the Company contributed RMB17,607,000 for financing purchases of 6,780,000 Shares, which are currently held under the Share Award Scheme. No share awards have been granted to any Selected Participants since the Adoption Date.

For further details on the Share Award Scheme, please refer to the announcement of the Company dated 27 December 2018 and note 30 of the consolidated financial statements of this annual report.

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 consolidated financial statements. 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 2018 are set out in note 3 to the consolidated 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 30% and the largest supplier accounted for approximately 13.8% of the Group's total purchases for the year ended 31 December 2018.

At no time during the year ended 31 December 2018 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 2018 and up to the date of this annual report, the Company has maintained the prescribed public float as required by the Listing Rules.

AUDITOR

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu, who will retire at the forthcoming 2019 AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming 2019 AGM to reappoint Deloitte Touche Tohmatsu as the external auditor.

There is no change of external auditor for this year and up to the date of this annual report.

On behalf of the Board
Dong Jinggui
Chairman

29 March 2019

INDEPENDENT AUDITOR'S REPORT

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 106, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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
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 20, 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 process.

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 agreed 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.

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.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- 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.

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 engagement partner on the audit resulting in the independent auditor's report is LUNG, Wing Hung, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000
Revenue	5(a)	**9,916,652**	7,850,436
Cost of sales	8(a)	**(8,297,067)**	(6,682,040)
Gross profit		**1,619,585**	1,168,396
Other income and gains, net	5(c)	**164,415**	181,594
Selling and distribution expenses		**(581,800)**	(366,930)
Administrative expenses		**(417,199)**	(321,124)
Research and development costs		**(305,448)**	(182,608)
Finance costs	7	**(809)**	–
Profit before tax	8	**478,744**	479,328
Income tax expense	9	**(46,427)**	(74,326)
Profit for the year		**432,317**	405,002
Profit for the year attributable to:			
Owners of the Company		**431,036**	404,698
Non-controlling interests		**1,281**	304
		432,317	405,002
Earnings per share			
Basic (cents per share)	12	**14.4**	13.5
Diluted (cents per share)	12	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	**432,317**	405,002
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Fair value loss on an investment in equity instruments at fair value through other comprehensive income	**(2,468)**	–
Exchange differences on translation from functional currency to presentation currency	**144,460**	(108,993)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(116,622)**	59,441
Other comprehensive income/(expense) for the year, net of income tax	**25,370**	(49,552)
Total comprehensive income for the year	**457,687**	355,450
Total comprehensive income attributable to:		
Owners of the Company	**456,406**	355,146
Non-controlling interests	**1,281**	304
	457,687	355,450

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	31 December 31/12/2018 RMB'000	31/12/2017 RMB'000
Non-current Assets			
Property, plant and equipment	13	**1,163,301**	1,081,115
Prepaid lease payments	14	**286,167**	285,592
Intangible assets	15	**14,862**	15,938
Equity instrument at fair value through other comprehensive income	16	**15,305**	–
Available-for-sale investment	17	**–**	14,068
Prepayments	20	**82,166**	75,155
Prepayment for acquisition of property, plant and equipment		**65,939**	–
Deferred tax assets	29	**6,846**	15,275
		1,634,586	1,487,143
Current Assets			
Inventories	18	**259,492**	338,143
Trade receivables	19	**278,079**	–
Trade and bills receivables	19	**–**	57,386
Prepayments, deposits and other receivables	20	**579,599**	368,706
Receivable from a third party	21	**–**	175,541
Wealth management products and structured deposits	22	**1,967,487**	2,700,394
Debt instruments at fair value through other comprehensive income	23	**79,024**	–
Pledged bank deposits	24	**987,530**	889,537
Bank balances and cash	25	**1,973,390**	988,272
		6,124,601	5,517,979
Current Liabilities			
Trade and bills payables	26	**4,580,418**	4,032,665
Other payables and accruals	27	**290,242**	452,217
Contract liabilities	28	**48,600**	–
Tax liabilities		**20,209**	43,136
		4,939,469	4,528,018
Net Current Assets		**1,185,132**	989,961
Total Assets less Current Liabilities		**2,819,718**	2,477,104
Capital and Reserve			
Share capital	30	**188**	188
Share premium and reserves		**2,811,945**	2,470,612
Equity attributable to owners of the Company		**2,812,133**	2,470,800
Non-controlling interests		**7,585**	6,304
Total Equity		**2,819,718**	2,477,104

The consolidated financial statements on page 46 to 106 were approved and authorised for issue by the board of directors on 29 March 2019.

DIRECTOR
Jinggui Dong

DIRECTOR
Jinghong Qian

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company											
	Share capital RMB'000	Merger reserve RMB'000	Share Premium account RMB'000	Statutory reserve (i) RMB'000	FVTOCI reserve RMB'000	Treasury shares 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 2017	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**
Adjustments (Note 2)	**–**	**–**	**–**	**–**	**3,705**	**–**	**–**	**–**	**–**	**3,705**	**–**	**3,705**
At 1 January 2018	**188**	**(121,024)**	**860,207**	**129,552**	**3,705**	**–**	**4,926**	**75,574**	**1,521,377**	**2,474,505**	**6,304**	**2,480,809**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**431,036**	**431,036**	**1,281**	**432,317**
Other comprehensive (expense)/income for the year, net of income tax	**–**	**–**	**–**	**–**	**(2,468)**	**–**	**27,838**	**–**	**–**	**25,370**	**–**	**25,370**
Total comprehensive (expenses)/income for the year	**–**	**–**	**–**	**–**	**(2,468)**	**–**	**27,838**	**–**	**431,036**	**456,406**	**1,281**	**457,687**
Dividends	**–**	**–**	**(101,171)**	**–**	**–**	**–**	**–**	**–**	**–**	**(101,171)**	**–**	**(101,171)**
Transfer to statutory reserve	**–**	**–**	**–**	**33,645**	**–**	**–**	**–**	**–**	**(33,645)**	**–**	**–**	**–**
Purchase of shares for share award scheme	**–**	**–**	**–**	**–**	**–**	**(17,607)**	**–**	**–**	**–**	**(17,607)**	**–**	**(17,607)**
As at 31 December 2018	**188**	**(121,024)**	**759,036**	**163,197**	**1,237**	**(17,607)**	**32,764**	**75,574**	**1,918,768**	**2,812,133**	**7,585**	**2,819,718**

(i) In accordance with the People Republic of China (the "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 2018

	Notes	**Year ended 31/12/2018 RMB'000**	Year ended 31/12/2017 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**478,744**	479,328
Adjustments for:			
Finance costs	7	**809**	–
Bank interest income	5(c)	**(30,854)**	(25,983)
Gain on disposal of property, plant and equipment	5(c)	**(226)**	(282)
Depreciation of property, plant and equipment	8(c)	**79,585**	75,731
Amortisation of prepaid decoration expenses	20	**58,582**	49,319
Amortisation of prepaid lease payments	8(c)	**7,225**	7,246
Amortisation of intangible assets	8(c)	**6,078**	5,719
Gains on financial assets at fair value through profit or loss	5(c)	**(108,572)**	(85,247)
Operating cash flows before movement in working capital		**491,371**	505,831
Increase in pledged bank deposits		**(97,993)**	(112,464)
(Increase)/decrease in trade receivables		**(225,042)**	222,305
Increase in prepayments, deposits and other receivables		**(223,997)**	(127,643)
Decrease/(increase) in inventories		**78,651**	(133,143)
Increase in trade and bills payables		**547,753**	745,266
Increase in other payables and accruals		**56,955**	158,776
Decrease in contract liabilities		**(172,487)**	–
Increase in debt instruments at fair value through other comprehensive income		**(74,675)**	–
Cash generated from operations		**380,536**	1,258,928
Income tax paid		**(60,925)**	(100,110)
NET CASH FROM OPERATING ACTIVITIES		**319,611**	1,158,818

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Notes	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000
INVESTING ACTIVITIES			
Interest received from bank deposits	5(c)	**30,854**	25,983
Purchases of property, plant and equipment		**(237,064)**	(417,820)
Decoration expenses prepaid	20	**(52,489)**	(55,192)
Proceeds from disposal of property, plant and equipment		**10,674**	6,679
Lease payments prepaid		**(7,800)**	–
Purchase of intangible assets		**(3,940)**	(4,692)
Redemption of wealth management products and structured deposits		**29,504,175**	23,628,294
Purchase of wealth management products and structured deposits		**(28,771,268)**	(24,917,058)
Interest received from wealth management products and structured deposits	5(c)	**108,572**	85,247
Loan to a third party		**–**	(175,541)
Loan repayment from a third party		**169,649**	–
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**751,363**	(1,824,100)
FINANCING ACTIVITIES			
Capital contribution from non-controlling interests for a new subsidiary		**–**	6,000
Repayment of bank loans		**(63,429)**	–
New bank loan raised		**63,429**	–
Interest paid		**(809)**	–
Dividends paid	11	**(101,171)**	(104,916)
Purchase of shares for share award		**(17,607)**	–
NET CASH USED IN FINANCING ACTIVITIES		**(119,587)**	(98,916)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**951,387**	(764,198)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**988,272**	1,801,405
Effect of foreign exchange rate changes		**33,731**	(48,935)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**1,973,390**	988,272
Represented by			
Bank balances and cash	25	**1,973,390**	988,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

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 address of the Company is Clifton House, 75 Fort Street, P.O.Box 1350, 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") are principally engaged in the development, manufacture and sale of electric vehicles and related accessories in the People's Republic of China (the "PRC").

In the opinion of the directors of the Company (the "Directors"), the ultimate 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, and 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year

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

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*

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year (Continued)

Except as described below, the application of the new and 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.

HKFRS 15 revenue from contracts with customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

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 (or other components of equity, as appropriate) 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*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the sales of electric vehicles and related accessories produced by the Group which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

There's no impact of transition to HKFRS 15 on retained profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the 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	(221,087)	231,130
Contract liabilities	–	221,087	221,087

* The amounts in this column are before the adjustments from the application of HKFRS 9.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year (Continued)

HKFRS 15 revenue from contracts with customers (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

At the date of initial application, previously included in the other payables and accruals, advance from customers of RMB221,087,000 were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and the consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported RMB'000	Adjustment RMB'000	Amounts without application of HKFRS 15 RMB'000
Other payables and accruals	290,242	48,600	338,842
Contract liabilities	48,600	(48,600)	–

Impact on the consolidated statement of cash flows

	As reported RMB'000	Adjustment RMB'000	Amounts without application of HKFRS 15 RMB'000
OPERATING ACTIVITIES			
Increase in other payables and accruals	56,955	(172,487)	(115,532)
Decrease in contract liabilities	(172,487)	172,487	–

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year (Continued)

HKFRS 9 financial instruments

In the current year, 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 under ECL model) 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*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

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

	Available-for-sale investment RMB'000	**Equity. instrument at FVTOCI** RMB'000	**Debt instruments at FVTOCI** RMB'000	**Financial assets at amortised cost (previously classified as loans and receivables)** RMB'000	**FVTOCI reserve** RMB'000
Closing balance at 31 December 2017 – HKAS 39	14,068	–	–	4,349	–
Effect arising from initial application of HKFRS 9:					
Reclassification					
From available-for-sale	(14,068)	14,068	–	–	–
From loans and receivables	–	–	4,349	(4,349)	–
Remeasurement					
From cost less impairment to fair value	–	3,705	–	–	3,705
	–	17,773	4,349	–	3,705

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year (Continued)

HKFRS 9 financial instruments (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

From AFS equity investment to fair value through other comprehensive income ("FVTOCI")

The Group elected to present in OCI for the fair value changes of all its equity investment previously classified as available-for-sale. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB14,068,000 were reclassified from available-for-sale investment to equity instrument at FVTOCI, all of which related to an unquoted equity investment previously measured at cost less impairment under HKAS 39. The fair value gain of RMB3,705,000 relating to this unquoted equity investment previously carried at cost less impairment were adjusted to equity instrument at FVTOCI and FVTOCI reserve as at 1 January 2018.

Loans and receivables

As part of the Group's cash flow management, the Group has the practice of endorsing some of the bills received from debtors to suppliers to settle the payment and derecognises bills endorsed on the basis that the Group has transferred substantially all risks and reward to the relevant counterparties. Accordingly, the Group's bills receivables of RMB4,349,000 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables are grouped based on past due analysis.

ECL for other financial assets at amortised cost, including other receivables, certain wealth management products and structured deposits, pledged bank deposits, and bank balances and cash, and debt instrument at FVTOCI are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the application of ECL model has no material impact on retained profits or other components of equity at 1 January 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs that are Mandatorily Effective for the Current Year (Continued)

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

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (audited) RMB'000	**HKFRS 9** RMB'000	**HKFRS 15** RMB'000	**1 January 2018 (restated)** RMB'000
Non-current assets				
Available-for-sale investment	14,068	(14,068)	–	–
Equity instrument at FVTOCI	–	17,773	–	17,773
Current assets				
Trade and bills receivables	57,386	(57,386)	–	–
Trade receivables	–	53,037	–	53,037
Debt instruments at FVTOCI	–	4,349	–	4,349
Current liabilities				
Other payables and accruals	452,217	–	(221,087)	231,130
Contract liabilities	–	–	221,087	221,087
Capital and reserve				
Equity attributable to owners of the Company	–	3,705	–	3,705

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

New and Amendments to HKFRSs in Issue but not yet Effective

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

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a Business*[4]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
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 1 and HKAS 8	*Definition of Material*[5]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs in Issue but not yet Effective (Continued)

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

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

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.

Other than certain requirements which are also applicable to lessor, 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 2018, the Group has non-cancellable operating lease commitments of RMB53,233,000 as disclosed in note 33. 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and Amendments to HKFRSs in Issue but not yet Effective (Continued)

HKFRS 16 LEASES (Continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES (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 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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 to the 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 from Contracts with Customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

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 or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from Contracts with Customers (upon application of HKFRS 15 in accordance with transitions in Note 2) (Continued)

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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (prior to 1 January 2018)

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.

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.

Leases

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.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

Retirement Benefit Costs and Termination Benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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/loss before tax 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.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 of these assets, on the same basis as other property assets, commences when the assets are ready for their 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 vehicle	9.50% to 23.75%
Office equipment	19.00% to 31.67%
Other equipment	9.50% to 31.67%

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. Intangible assets with finite useful lives are subsequently amortised on a straight-line basis over the estimated useful life as follow and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Software	9.50% to 31.67%
Patents	31.67%

The estimated useful life and amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period, with effect of any changes in the estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets (Continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount 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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

All other financial assets are subsequently measured at 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 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.

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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired financial assets.

Debt instruments at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and gains" line item in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other income and gain, net" line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, certain wealth management products and structured deposits, debt instrument at FVTOCI, pledged bank deposits, and bank balances). 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, 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 trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on past due status.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

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.

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 its bills receivables that are issued by well-known banks in PRC to have low credit risk.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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. Estimation of ECL reflects on unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments;
- Past due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

Except for debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

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 interest earned on the financial assets and is included in the other income and gains line item. Fair value is determined in the manner described in note 35.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

AFS financial assets

AFS 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.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables and receivable from a third party) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation;

Objective evidence of impairment for a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, deposits and other receivables and receivable from a third party, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bills receivable, deposits and other receivables or receivable from a third party is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the 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 asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables and other payables and accruals are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable 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.

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

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.

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.

Deferred tax assets

As at 31 December 2018, a deferred tax asset of RMB6,846,000 (2017: RMB15,275,000) has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place. Further details of deferred tax assets are disclosed in Note 29.

Fair value of wealth management products and structured deposits

Certain wealth management products and structured deposits are financial assets at FVTPL and 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, duration and discount rates, and hence they are subject to uncertainty. The net carrying value of wealth management products and structured deposits at FVTPL at 31 December 2018 was RMB1,090,557,000 (2017: RMB1,950,394,000).

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Disaggregation of revenue from contract with customers

	2018 RMB'000	2017 RMB'000
Types of goods		
Electric scooters	**5,083,846**	3,850,366
Electric bicycles	**2,514,486**	1,998,207
Batteries and chargers	**2,195,189**	1,935,822
Electric two-wheeled vehicle parts	**123,131**	66,041
	9,916,652	7,850,436
Timing of revenue recognition		
At point in time	**9,916,652**	7,850,436

(b) Performance obligations for contracts with customers

The Group sells electronic vehicles to the distributors. For all sales of electronic vehicles, revenue is recognised when control of the goods has transferred, being when the goods have been packed for shipment and out of the Group's warehouse (delivery).

Following delivery, the distributors have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when selling the goods and bear the risks of obsolescence and loss in relation to the goods.

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

Under the Group's standard contract terms with both distributors and suppliers, distributors are not allowed to exchange or return the goods delivered and suppliers are responsible for all replacement and repairment of damaged products that are with warranty. When the customers initially prepay for the goods, the transaction price received by the Group is recognized as a contract liability until the goods have been packed for shipment and out of the Group's warehouse.

All of the sales and services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

(c) Other income and gains, net

	2018 RMB'000	2017 RMB'000
Other income		
Government grants (note)	**12,914**	64,801
Bank interest income	**30,854**	25,983
Others	**5,957**	4,669
	49,725	95,453
Other gains		
Gains on financial assets at FVTPL	**108,572**	85,247
Foreign exchange gains	**5,892**	612
Net gain on disposal of property, plant and equipment	**226**	282
	164,415	181,594

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 as the Group met the conditions in 2017.

6. OPERATING SEGMENT

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. Accordingly, no segment information is presented.

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 PRC and over 90% of the Group's non-current assets and liabilities were located in PRC, 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*.

7. FINANCE COSTS

	For the year ended 2018 RMB'000	 2017 RMB'000
Interest on bank loans	**809**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. PROFIT BEFORE TAX

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

	For the year ended 2018 RMB'000	2017 RMB'000
(a) Cost of sales:		
Cost of inventories sold	**8,297,067**	6,682,040
(b) Employee benefit expenses (including Directors' and chief executive's remuneration):		
Wages and salaries	**375,932**	349,878
Pension scheme contributions (defined contribution scheme), social welfare and other welfare	**57,541**	49,184
	433,473	399,062
(c) Other items:		
Depreciation of property, plant and equipment	**79,585**	75,731
Amortisation of prepaid lease payments	**7,225**	7,246
Amortisation of intangible assets	**6,078**	5,719
Auditor's remuneration	**2,700**	2,700
Research and development costs (Note)	**305,448**	182,608
Operating lease expenses	**12,491**	13,821

Note: Research and development costs included wages and salaries amounting to RMB38,424,000 for the year ended 31 December 2018 (2017: RMB34,847,000), which are also included in employee benefit expenses as disclosed in note 8(b) above.

9. INCOME TAX EXPENSE

	For the year ended 2018 RMB'000	2017 RMB'000
Current PRC Enterprise Income Tax	**41,620**	89,274
Over provision in prior year	**(3,622)**	(18,779)
Deferred tax (Note 29)	**8,429**	3,831
Total tax charge for the year	**46,427**	74,326

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HKD2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2 million.

9. INCOME TAX (Continued)

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 is 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% starting from 1 January 2014 for a period of three years. In 2016, Tianjin Yadea Industry Co., Ltd has applied the extention of the high-tech certification, the high-tech certificate has been extended to December 2019. The income tax rate for the year ended 31 December 2018 is 15% (2017: 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%. The income tax rate for the year ended 31 December 2018 is 15% (2017: 15%).

- Guangdong Yadea Motorcycle Co., Ltd. has been recognised as a high-tech enterprise in December 2017 and entitles to a preferential income tax rate of 15% for the year ended 31 December 2018 (2017: 25%).

- Yadea Technology Group Co., Ltd. has been recognised as a high-tech enterprise in December 2017 and entitles to a preferential income tax rate of 15% for the year ended 31 December 2018 (2017: 25%).

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

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	For the year ended	
	2018	2017
	RMB'000	RMB'000
Profit before tax	**478,744**	479,328
Tax at the statutory tax rate (25%)	**119,686**	119,832
Tax effect of preferential tax rate	**(43,996)**	(34,898)
Tax credit for qualified research and development expenses	**(34,356)**	(5,985)
Tax effect of expenses not deductible for tax purpose	**1,729**	4,203
Over provision in prior year	**(3,622)**	(18,779)
Tax effect of tax losses not recognised	**11,346**	9,953
Utilisation of tax losses previously not recognised	**(4,360)**	–
Income tax expense for the year	**46,427**	74,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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:

	For the year ended 31 December 2018			
	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	**–**	**1,999**	**94**	**2,093**
Executive directors:				
Mr. Jinggui Dong	**–**	**622**	**99**	**721**
Ms. Jinghong Qian	**–**	**622**	**99**	**721**
Mr. Rui Shi	**–**	**548**	**18**	**566**
Mr. Yu Shen	**–**	**400**	**18**	**418**
Independent non-executive directors:				
Mr. Biguang Wu	**263**	**–**	**–**	**263**
Mr. Zongwei Li	**263**	**–**	**–**	**263**
Mr. Naisheng Yao	**263**	**–**	**–**	**263**
	789	**4,191**	**328**	**5,308**

	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

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

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors (Continued)

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.

Employees

The five highest paid employees at the Group during the year include one director (2017: one), details of whose remuneration are included in the disclosure above. Details of the remuneration for the year of the remaining four (2017: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	For the year ended	
	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**6,295**	3,650
Pension scheme contributions and social welfare	**34**	214
	6,329	3,864

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

	For the year ended	
	2018	2017
Nil to HKD 1,000,000	**–**	2
HKD 1,000,001 to HKD 1,500,000	**–**	2
HKD 1,500,001 to HKD 2,000,000	**3**	–
HKD 2,000,001 to HKD 3,000,000	**1**	–
	4	4

11. DIVIDENDS

	For the year ended 2018 RMB'000	2017 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2017 final – 4.0 HK cents (2017: 2016 final dividend 4.0 HK cents) per ordinary share	**101,171**	104,916
	101,171	104,916

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of 4.0 HK cents (2017: final dividend in respect of the year ended 31 December 2017 of 4.0 HK cents) per ordinary share, in an aggregate amount of HKD119,729,000, equivalent to RMB102,703,000 (2017: HKD120,000,000, equivalent to RMB101,171,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

12. EARNINGS PER SHARE

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

	For the year ended 2018 RMB'000	2017 RMB'000
Earnings figures are calculated as follows:		
Profit of the year attributable to owners of the Company	**431,036**	404,698

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,999,981,425**	3,000,000,000

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted taking into account the shares purchased and held by the trust of the Company's Share Award Scheme for the year ended 31 December 2018.

No diluted earnings per share for both 2018 and 2017 were presented as there were no potential ordinary shares in issue for both 2018 and 2017.

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 2017	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**
Additions	**2,057**	**9,166**	**1,904**	**4,127**	**3,410**	**205,107**	**225,771**
Disposals	**(917)**	**(32,655)**	**(6,437)**	**(19,035)**	**(681)**	**–**	**(59,725)**
Reclassification	**7,991**	**14,141**	**–**	**–**	**1,064**	**(23,196)**	**–**
Transfer to intangible assets	**–**	**–**	**–**	**–**	**–**	**(1,063)**	**(1,063)**
Transfer to prepaid decoration expenses	**–**	**–**	**–**	**–**	**–**	**(52,489)**	**(52,489)**
At 31 December 2018	**1,101,732**	**137,769**	**38,873**	**42,395**	**37,682**	**157,478**	**1,515,929**
Depreciation							
At 1 January 2017	(131,001)	(39,837)	(35,729)	(32,591)	(11,370)	–	(250,528)
Provided for the year	(45,769)	(11,510)	(3,424)	(8,548)	(6,480)	–	(75,731)
Eliminated on disposals	208	617	2,323	715	76		3,939
At 31 December 2017	**(176,562)**	**(50,730)**	**(36,830)**	**(40,424)**	**(17,774)**	**–**	**(322,320)**
Provided for the year	**(49,589)**	**(13,208)**	**(4,232)**	**(5,191)**	**(7,365)**	**–**	**(79,585)**
Eliminated on disposals	**218**	**25,346**	**5,064**	**18,016**	**633**	**–**	**49,277**
At 31 December 2018	**(225,933)**	**(38,592)**	**(35,998)**	**(27,599)**	**(24,506)**	**–**	**(352,628)**
Carrying amount							
At 31 December 2018	**875,799**	**99,177**	**2,875**	**14,796**	**13,176**	**157,478**	**1,163,301**
At 31 December 2017	916,039	96,387	6,576	16,879	16,115	29,119	1,081,115

As at 31 December 2018, the application for the property ownership certificates for certain buildings with an aggregate net book value of approximately RMB242,600,000 (2017: RMB243,338,000) 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 2018, certain of the Group's buildings and construction in progress with an aggregate net carrying amount of RMB334,650,000 (2017: RMB425,511,000) were pledged to secure the Group's bills payable.

14. PREPAID LEASE PAYMENTS

	31/12/2018 RMB'000	31/12/2017 RMB'000
Carrying amount at beginning of the year	**285,592**	292,838
Additions	**7,800**	–
Amortisation provided during the year	**(7,225)**	(7,246)
Carrying amount at end of the year	**286,167**	285,592

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

As at 31 December 2018, certain of the Group's prepaid lease payments with an aggregate net book value of approximately RMB95,239,000 (2017: RMB103,166,000) 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 2017	24,063	2,000	26,063
Additions	4,692	–	4,692
31 December 2017	**28,755**	**2,000**	**30,755**
Additions	**2,877**	**2,124**	**5,001**
At 31 December 2018	**31,632**	**4,124**	**35,756**
Amortization			
At 1 January 2017	(8,208)	(889)	(9,097)
Charge for the year	(5,052)	(667)	(5,719)
31 December 2017	**(13,260)**	**(1,556)**	**(14,816)**
Charge for the year	**(5,634)**	**(444)**	**(6,078)**
At 31 December 2018	**(18,894)**	**(2,000)**	**(20,894)**
Carrying amount			
At 31 December 2018	**12,738**	**2,124**	**14,862**
At 31 December 2017	15,494	444	15,938

16. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31/12/2018 RMB'000
Unlisted equity investment	**15,305**

The above unlisted equity investment represents the Group's equity interest in a private entity established in the United States of America. The Directors have elected to designate these investment in equity instrument at FVTOCI because this is a strategic investment and the Company considers the measurement at fair value through other comprehensive income to be more relevant.

17. AVAILABLE-FOR-SALE INVESTMENT

	31/12/2017 RMB'000
Unlisted equity investment, at cost	14,068

As at 31 December 2017, the unlisted equity investment was stated at cost less impairment.

18. INVENTORIES

	31/12/2018 RMB'000	31/12/2017 RMB'000
Raw materials	**123,667**	120,713
Finished goods	**135,825**	217,430
	259,492	338,143

19. TRADE RECEIVABLES/TRADE AND BILLS RECEIVABLES

	31/12/2018 RMB'000	31/12/2017 RMB'000
Trade receivables	**280,385**	55,343
Less: allowance for credit losses	**(2,306)**	(2,306)
	278,079	53,037
Bills receivables	**–**	4,349
	278,079	57,386

As at 31 December 2018, included in the trade receivables are no trade receivables from a Group's related party (2017: RMB721,000). Details of the Group's trade receivables with its related party as at the end of the reporting period are disclosed in note 36(c).

19. TRADE RECEIVABLES/TRADE AND BILLS RECEIVABLES (Continued)

The following is an aged analysis of trade receivables net of allowance for credit losses, presented based on the invoice dates:

	31/12/2018 RMB'000	31/12/2017 RMB'000
Within 6 months	**278,079**	53,037

The movements in impairment of trade receivables are as follows:

	31/12/2018 RMB'000	31/12/2017 RMB'000
At beginning and end of the year	**2,306**	2,306

All of the Group's trade receivables are neither past due nor impaired except a receivable due from a third party. Receivables that were neither past due nor impaired related to a number of diversified customers for whom there was no recent history of default.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 35.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31/12/2018 RMB'000	31/12/2017 RMB'000
Non-current assets		
Prepaid decoration expenses (i)	**82,166**	75,155
Prepayment for acquisition of property, plant and equipment	**65,939**	–
Current assets		
Prepayments for advertising	**311,476**	180,482
Prepayments to suppliers (ii)	**165,562**	95,234
Prepaid decoration expenses (i)	**38,186**	51,290
Deposits	**9,840**	10,827
VAT recoverable	**7,013**	1,741
Others	**47,522**	29,132
	579,599	368,706

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Movement of prepaid decoration expenses as follows:

	31/12/2018 RMB'000	31/12/2017 RMB'000
Carrying amount at beginning of the year	**126,445**	120,572
Additions	**52,489**	55,192
Amortisation provided during the year	**(58,582)**	(49,319)
Carrying amount at end of the year	**120,352**	126,445

(i) To enhance the customer experience and increase sales, the Group invested in the distributor point of sales 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) There are no prepayments to the Group's related parties included in the prepayments to suppliers (2017: RMB12,989,000). Details of the Group's prepayment balances with its related parties are disclosed in Note 36(d).

21. RECEIVABLE FROM A THIRD PARTY

	31/12/2018 RMB'000	31/12/2017 RMB'000
Receivable from a third party	**–**	175,541

Receivable from a third party as at 31 December 2017 represents a loan of HKD200,000,000 to a third party which carries an interest of 6% per annum. The loan was repaid on 19 September 2018.

22. WEALTH MANAGEMENT PRODUCTS AND STRUCTURED DEPOSITS

	31/12/2018 RMB'000	31/12/2017 RMB'000
Wealth management products and structured deposits, at FVTPL	**1,090,557**	1,950,394
Wealth management products and structured deposits, at amortised cost	**876,930**	750,000
	1,967,487	2,700,394

As at 31 December 2018, certain of the Group's wealth management products and structured deposits with a carrying amount of RMB744,600,000 (2017: RMB1,022,000,000) were pledged as security for the Group's bills payable.

23. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31/12/2018 RMB'000	31/12/2017 RMB'000
Bills receivable	**79,024**	–

As at 31 December 2018, 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 RMB40,507,000 (2017: RMB19,807,000). 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, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables.

24. PLEDGED BANK DEPOSITS

	31/12/2018 RMB'000	31/12/2017 RMB'000
Deposits pledged with banks for bills payable	**987,530**	889,537

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

25. BANK BALANCES AND CASH

	31/12/2018 RMB'000	31/12/2017 RMB'000
Cash and bank balances	**1,973,390**	797,972
Fixed deposits	**–**	190,300
Cash and cash equivalents	**1,973,390**	988,272

Bank balances carry interest at market rates of 0.35% to 0.38% (2017: 0.35%) per annum. The fixed deposits carry fixed interest rate of 1.1% per annum in 2017.

26. TRADE AND BILLS PAYABLES

	31/12/2018 RMB'000	31/12/2017 RMB'000
Trade payables	**1,784,942**	1,334,282
Bills payable	**2,795,476**	2,698,383
	4,580,418	4,032,665

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Within 3 months	**1,374,410**	387,776
3 to 6 months	**386,892**	844,290
6 to 12 months	**14,156**	61,673
12 to 24 months	**5,716**	21,270
Over 24 months	**3,768**	19,273
	1,784,942	1,334,282

As at 31 December 2018, included in the trade and bills payables are trade payables to the Group's related parties of RMB355,000 (2017: RMB5,483,000), and bills payables to the Group's related parties of RMB2,614,000 (2017: RMB7,330,000). 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 36(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.

27. OTHER PAYABLES AND ACCRUALS

	31/12/2018 RMB'000	31/12/2017 RMB'000
Other tax payable	**93,048**	43,135
Staff payroll and welfare payables	**60,040**	41,161
Deposit	**51,617**	22,057
Payables for purchase of property, plant and equipment	**50,350**	48,193
Advances from customers	**–**	221,087
Sales rebate	**–**	21,365
Others	**35,187**	55,219
	290,242	452,217

28. CONTRACT LIABILITIES

	31/12/2018 RMB'000	1/1/2018* RMB'000
Sales of electric vehicles	**48,600**	221,087

* The amounts in this column are after the adjustments from the application of HKFRS 15.

All of the contract liability balance at the beginning of the year has been recognised as revenue in 2018.

29. DEFERRED TAX

The followings are the major deferred tax assets recognised and movements during the current and prior years:

	Tax losses RMB'000	Sales rebate RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	1,730	4,990	12,386	19,106
(Charge)/credit to profit or loss	(106)	1,815	(5,540)	(3,831)
At 31 December 2017	**1,624**	**6,805**	**6,846**	**15,275**
Charge to profit or loss	**(1,624)**	**(6,805)**	**–**	**(8,429)**
As at 31 December 2018	**–**	**–**	**6,846**	**6,846**

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

Year of expiry	31/12/2018 RMB'000	31/12/2017 RMB'000
2018	**–**	1,529
2019	**–**	1,529
2020	**–**	3,250
2021	**7,998**	10,516
2022	**17,426**	26,070
2023	**45,384**	–
	70,808	42,894

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 RMB2,014,797,000 as at 31 December 2018 (2017: RMB1,440,565,000). 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.

30. 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, 1 January 2018 and 2017	**3,000,000,000**	**30**
Equivalent to RMB'000		**188**

Pursuant to a resolution passed on 26 December 2018 ("Adoption Date") by the board of directors of the Company, a share award scheme ("Share Award Scheme") was adopted. The board of the Directors may from time to time, subject always to the rules of the Share Award Scheme, at its absolute discretion, select any employee, director, consultant, settlor, subsidiary or associate (excluding those are restricted by laws and regulation) for participation in the Share Award Scheme and impose any conditions as it deems appropriate with respect to the entitlement of those selected participants to the award shares. The purpose of the Share Award Scheme is to recognise the contributions by certain personnel and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. On the same date, a trust was established under a trust deed entered into by the Company to administer the Share Award Scheme, and for the purchase or subscription of the shares of the Company, based on financial support given by the Group. Any shares subsequently awarded by the Company to the qualifying employees will be settled with the shares held by the trust on behalf of the Company. The Directors have determined that the Company controls the trust through the trust deed and therefore consolidates the trust.

Unless early terminated by the board of the Directors the Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date.

The board of the Directors shall not make any award of shares which will result in the total number of the shares awarded by the board of the Directors under the Share Award Scheme exceeding ten per cent of the issued share capital of the Company as at the Adoption Date.

The maximum number of shares which may be allocated and awarded to a qualifying participant under the Share Award Scheme shall not exceed one per cent of the total number of issued shares of the Company as at the date of such award.

30. SHARE CAPITAL (Continued)

The maximum number of shares which may be allocated and awarded to a qualifying participant who is an independent non-executive Director shall not exceed 0.1% of the total number of issued shares of the Company at the date of such award and the aggregate value of which shall not exceed HKD5,000,000 (based on the closing price of the shares of the Company on the business day immediately preceding the date of award).

During 2018, the Company contributed RMB17,607,000 for financing purchases of 6,780,000 shares of the Company, which are currently held under the Share Award Scheme. No share awards have been granted to any qualifying employees.

Month of purchase	Number of ordinary shares	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HKD	HKD	HKD'000
December	**6,780,000**	**3.00**	**2.90**	**20,095**
Presented as				**RMB'000**
				17,607

31. CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities (2017: Nil).

32. 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, 22 and 24 respectively, to the consolidated financial statements.

33. COMMITMENTS

(a) Capital Commitments

	31/12/2018 **RMB'000**	31/12/2017 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statement	**53,122**	75,017

33. COMMITMENTS (Continued)

(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:

	31/12/2018 RMB'000	31/12/2017 RMB'000
Within one year	**9,757**	10,931
In the second to fifth years inclusive	**26,090**	26,775
Over five years	**17,386**	22,334
	53,233	60,040

Operating lease payments represent rentals payable by the Group for storage and office rental. Leases are negotiated for an average term of ten years and rentals are fixed for an average of ten years.

34. CAPITAL RISK 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 return to shareholders. The Group's overall strategy remains unchanged from prior year.

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

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

35. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	31/12/2018 RMB'000	31/12/2017 RMB'000
Financial assets		
Wealth management products and structured deposits – mandatorily measured at FVTPL	**1,090,557**	1,950,394
Loans and receivables (including cash and cash equivalents)	**–**	2,900,695
Financial assets at amortised cost	**4,173,291**	–
Equity instrument at FVTOCI	**15,305**	–
Debt instruments at FVTOCI	**79,024**	–
Available-for-sale investment	**–**	14,068
	5,358,177	4,865,157
Financial liabilities		
Amortised cost	**4,709,796**	4,133,764

35. FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management Objectives and Policies

The Group's major financial instruments include equity instrument at FVTOCI, trade receivables, debt instruments at FVTOCI, deposits and other receivables, receivable from a third party, wealth management products and structured deposits, pledged bank deposits, bank balances and cash, trade and bills payables, and other payables and accruals. 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.

Currency 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 currency risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency other than the entities' functional currency. The Group is exposed to foreign currency risk primarily with respect to USD.

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

	Assets	
	31/12/2018 RMB'000	31/12/2017 RMB'000
USD	**218,602**	223,211

	2018 (Increase)/ decrease in profit after tax RMB'000	2017 (Increase)/ decrease in profit after tax RMB'000
RMB – USD		
Appreciation of RMB by 5%	**(9,089)**	(8,370)
Depreciation of RMB by 5%	**9,089**	8,370

Interest Rate Risk

The Group is exposed to cash flow interest rate risk in relation to variable rate bank balances (refer to Notes 24 and 25 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

35. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Risk (Continued)

Total interest income from financial assets that are measured at amortised cost is as follows:

	For the year ended	
	2018	2017
	RMB'000	RMB'000
Other income and gains		
Financial assets at amortised cost	**73,727**	69,646

Interest expense on financial liabilities not measured at FVTPL:

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Financial liabilities at amortised cost	**809**	–

Other Price Risk

The Group is exposed to price risk through its investments in wealth management products and structured deposits. The prices/fair values 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. The management consider the sensitivity on price risk on wealth management products and structured deposits is insignificant.

Credit Risk and Impairment Assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals. 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 performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred less model) on trade balances on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

35. FINANCIAL INSTRUMENTS (Continued)

Credit Risk and Impairment Assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12 m or lifetime ECL	Gross carrying amount
Financial assets at amortised cost					
Pledged bank deposits	24	BB ~ A	N/A	12 m ECL	987,530
Bank balances	25	BB ~ A	N/A	12 m ECL	1,973,390
Other receivables	20	N/A	(Note 1 below)	12 m ECL	57,282
Trade receivables	19	N/A	(Note 2 below)	Lifetime ECL (not credit impaired)	278,079
Wealth management products and structured deposits at amortised cost	22	BB ~ A	N/A	12 m ECL	876,930

The management considers the impairment movements of trade receivables and other receivables are insignificant, thus, no impairment movements of trade receivables and other receivables are presented.

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Not past due/ No fixed repayment terms RMB'000
Other receivables	57,282

2. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. As the credit period is only provided to some customers that have good credit history and the Group evaluates the performance of each customer annually, the Group determines the expected credit losses on these items by using provision matrix, grouped by past due status.

   As part of the Group's credit risk management, the Group uses debtors' past due status to assess the impairment for its customers because these customers are 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.

	Not past due RMB'000
Trade receivables	278,079

35. 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 December** RMB'000
At 31 December 2018			
Trade and bills payables	**4,580,418**	**4,580,418**	**4,580,418**
Financial liabilities included in other payables and accruals	**129,378**	**129,378**	**129,378**
	4,709,796	**4,709,796**	**4,709,796**
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

35. FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements of Financial Instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

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

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
As at 31 December 2018				
Wealth management products and structured deposits at FVTPL (Note 1)	**–**	**1,090,557**	**–**	**1,090,557**
Equity instrument at FVTOCI (Note 2)	**–**	**–**	**15,305**	**15,305**
Total	**–**	**1,090,557**	**15,305**	**1,105,862**
As at 31 December 2017				
Wealth management products	–	1,950,394	–	1,950,394

Notes:

1. The valuation technique is discounted cash flows that reflects the credit risk of various counterparties.

2. The valuation technique is market approach, which provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Reconciliation of level 3 fair value measurements

	Equity instrument at FVTOCI RMB'000
1 January 2018	**17,773**
Total losses in other comprehensive income	**(2,468)**
31 December 2018	**15,305**

36. RELATED PARTY TRANSACTIONS AND BALANCES

(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 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 Xingwei Vehicle Fittings Co., Ltd. (“**Wuxi 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 Colorful Metal Coating Co., Ltd. (“**Wuxi Colorful**”)	Controlled by close family members of the Controlling Shareholders

(b) Transactions with Related Parties:

(i) Purchases of products:

	31/12/2018 RMB’000	31/12/2017 RMB’000
Wuxi Xingwei	**11,079**	36,600
Tianjin Xingwei	**–**	6,001
	11,079	42,601

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

(ii) Sales of products:

	31/12/2018 RMB’000	31/12/2017 RMB’000
E-Zebra	**43**	5,183

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

36. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Due from Related Parties:

	31/12/2018 RMB'000	31/12/2017 RMB'000
E-Zebra	**–**	721

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

(d) Advance Payments to Related Parties:

	31/12/2018 RMB'000	31/12/2017 RMB'000
Wuxi Xingwei	**–**	11,088
Dongguan Hanrun	**–**	1,901
	–	12,989

(e) Due to Related Parties:

	31/12/2018 RMB'000	31/12/2017 RMB'000
Trade payables		
Wuxi Xingwei	**201**	–
Ningbo Suogao	**120**	129
Wuxi Daen	**34**	272
Tianjin Xingwei	**–**	4,882
Wuxi Colorful	**–**	200
	355	5,483
Bills payable		
Tianjin Xingwei	**1,780**	1,250
Wuxi Xingwei	**834**	6,080
Wuxi Colorful	**–**	–
	2,614	7,330

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

36. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Salaries	**6,449**	6,246
Pension scheme contributions and social welfare	**581**	367
	7,030	6,613

The related party transactions in respect of items 36(b)(i) above also constitute continuing connected transactions according to the Listing Rules.

37. 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 31 December 2018	2017	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

37. 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 31 December 2018	2017	Principal activities
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
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
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	RMB33,980,000 (Note 1)	**100%**	100%	Development, manufacture and sale of electric vehicles and accessories
彩仕(清遠)製品有限司 (Caishi (Qingyuan) Products Co., Ltd.)	Qingyuan, the PRC 7 June 2004	–	**–**	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%**	70%	Sale of electric vehicles and accessories
上海慕虹投資有限公司 (Shanghai Muhong Investment Co., Ltd.)	Shanghai, the PRC	RMB83,000,000	**100%**	100%	Investment holding
安徽雅迪機車有限公司 (Anhui Yadea Motorcycle Co., Ltd.)	Liuan, the PRC 8 August 2018	RMB20,000,000	**100%**	–	Development, manufacture and sale of electric vehicles and accessories

37. DETAIL OF SUBSIDIARIES (Continued)

Note 1: Caishi (Qingyuan) Products Co., Ltd has been merged into Guangdong Yadea Motorcycle Co., Ltd in January 2018. The registered capital of Guangdong Yadea Motorcycle Co., Ltd has increased from RMB10,000,000 to RMB33,980,000.

38. EVENTS AFTER THE REPORTING PERIOD

No material events were undertaken by the Group subsequent to 31 December 2018 to report date.

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2018 RMB'000	31/12/2017 RMB'000
Non-current Assets		
Investments in subsidiaries	**166,006**	161,765
Available-for-sale investment	**–**	14,068
Equity instrument at fair value through other comprehensive income	**15,305**	–
Property, plant and equipment	**417**	–
Intangible assets	**2,124**	–
	183,852	175,833
Current Assets		
Amount due from a subsidiary	**104,010**	98,220
Receivable from a third party	**–**	175,541
Prepayments, deposits and other receivables	**200,374**	–
Wealth management products	**207,957**	198,394
Cash and cash equivalents	**168,048**	280,763
	680,389	752,918
Current Liabilities		
Amount due to a subsidiary	**11,997**	11,997
Other payables and accruals	**1,098**	1,187
	13,095	13,184
Net Current Assets	**667,294**	739,734
Net Assets	**851,146**	915,567
Capital and Reserve		
Share capital	**188**	188
Share premium and reserves (Note below)	**850,958**	915,379
Total Equity	**851,146**	915,567

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

Note: Movements in the Company's share premium and reserves:

	Share premium RMB'000	Share award reserve RMB'000	Revaluation reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	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**
Adjustment (see Note 2)	**–**	**–**	**3,705**	**–**	**–**	**3,705**
At 1 January 2018	**860,207**	**75,574**	**3,705**	**(2,974)**	**(17,428)**	**919,084**
Total comprehensive (expense)/income for the year, net of income tax	**–**	**–**	**(2,468)**	**36,517**	**(1,004)**	**33,045**
Payment of dividends	**(101,171)**	**–**	**–**	**–**	**–**	**(101,171)**
At 31 December 2018	**759,036**	**75,574**	**1,237**	**33,543**	**(18,432)**	**850,958**