Yadea Group Holdings Ltd.
雅迪集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1585)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

The board (the "**Board**") of directors (the "**Directors**") of Yadea Group Holdings Ltd. (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2018 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2017 as follows:

FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue increased by approximately 40.8% to approximately RMB4,582.8 million as compared with the corresponding period in 2017.
- Gross profit increased by approximately 44.8% to approximately RMB715.2 million as compared with the corresponding period in 2017.
- Profit attributable to owners of the Company increased by approximately 13.5% to approximately RMB194.8 million as compared with the corresponding period in 2017.
- Basic earnings per share increased by approximately 14.0% to approximately RMB6.5 cents per share as compared with the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2018

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended June 30, 2018

	Six months ended	
	30/6/2018	30/6/2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**195,269**	171,591
Other comprehensive (expense)/income		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation from functional currency to presentation currency	**(2,311)**	31,122
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**7,715**	(55,237)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF INCOME TAX	**5,404**	(24,115)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**200,673**	147,476
Total comprehensive income for the period attributable to:		
Owners of the Company	**200,220**	147,476
Non-controlling interests	**453**	–
	200,673	147,476

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2018

	Notes	**30/6/2018** ***RMB'000*** **(unaudited)**	31/12/2017 *RMB'000* (audited) (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,099,299**	1,081,115
Prepaid land lease payments		**282,007**	285,592
Intangible assets		**15,234**	15,938
Equity instruments at fair value through other comprehensive income		**13,839**	14,068
Prepayments, deposits and other receivables		**74,193**	75,155
Deferred tax assets		**15,275**	15,275
		1,499,847	1,487,143
CURRENT ASSETS			
Inventories	*9*	**334,771**	338,143
Trade and bills receivables	*10*	**335,149**	57,386
Prepayments, deposits and other receivables		**295,858**	368,706
Receivable from a third party		**–**	175,541
Wealth management products		**1,573,831**	2,700,394
Financial assets at fair value through profit or loss		**2,781**	–
Pledged bank deposits		**1,317,002**	889,537
Bank balances and cash		**1,461,526**	988,272
		5,320,918	5,517,979
CURRENT LIABILITIES			
Trade and bills payables	*11*	**3,824,583**	4,032,665
Other payables and accruals		**220,277**	193,545
Contract liabilities		**114,920**	258,672
Short-term borrowing		**66,210**	–
Tax liabilities		**18,170**	43,136
		4,244,160	4,528,018
Net current assets		**1,076,758**	989,961
Net assets		**2,576,605**	2,477,104
EQUITY			
Equity attributable to owners of the Company			
Share capital		**188**	188
Reserves		**2,569,660**	2,470,612
Equity attributable to owners of the Company		**2,569,848**	2,470,800
Non-controlling interests		**6,757**	6,304
Total equity		**2,576,605**	2,477,104

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Yadea Group Holdings Ltd. (the "**Company**") is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principle place of business of the Company is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") with effect from May 19, 2016.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the development, manufacture and sale of electric vehicles and related accessories in the People's Republic of China (the "**PRC**").

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and amendments to HKFRSs

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

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

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, January 1, 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at January 1, 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

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

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

Warranties

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

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

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

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

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

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

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

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

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

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

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

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

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

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

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

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

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

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

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

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

Impairment under ECL model

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

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

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

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

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

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

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

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

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

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

Summary of effects arising from initial application of HKFRS 9

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

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

From AFS equity investments to FVTOCI

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

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

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

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

3A. REVENUE FROM GOODS

Disaggregation of revenue

	For the six months ended 30/6/2018 ***RMB'000*** **(unaudited)**
Types of goods	
Electric scooters	**2,349,496**
Electric bicycles	**1,232,400**
Batteries and chargers	**964,094**
Electric two-wheeled vehicle parts	**36,838**
	4,582,828
Timing of revenue recognition	
At point in time	**4,582,828**

3B. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organized into business units based on their products and services, the Group has only one reportable operating segment which is engaged in the development, manufacture and sale of electric vehicles and related accessories.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

Since over 90% of the Group's revenue and operating profit were generated from the sale of electric vehicles in Mainland China and over 90% of the Group's non-current assets and liabilities were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Since no revenue from sale to a single customer amounted to 10% or more of the Group's revenue for the reporting period, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

4. OTHER INCOME AND GAINS, NET

	Six months ended	
	30/6/2018	30/6/2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Gains from financial assets at fair value through profit or loss	**59,967**	28,247
Bank interest income	**15,036**	8,865
Government grants	**8,398**	40,296
Net loss on disposal of property, plant and equipment	**(678)**	(734)
Others	**2,076**	9,030
	84,799	85,704

5. PROFIT BEFORE TAX

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

		Six months ended	
		30/6/2018	30/6/2017
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
(a)	**Cost of sales**		
	Cost of inventories sold	**3,867,672**	2,760,581
(b)	**Employee benefit expense (including directors' and chief executive's remuneration)**		
	Wages and salaries	**161,105**	125,931
	Pension scheme contributions (defined contribution scheme), social welfare and other welfare	**26,994**	21,100
		188,099	147,031
(c)	**Other items**		
	Depreciation of property, plant and equipment	**37,963**	39,581
	Amortization of prepaid land lease payments	**3,585**	2,666
	Amortization of intangible assets	**2,485**	2,755
	Auditors' remuneration	**1,636**	1,210
	Research and development costs *(note)*	**108,159**	55,091
	Operating lease expenses	**6,179**	7,265

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

6. INCOME TAX EXPENSE

	Six months ended	
	30/6/2018	30/6/2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current – Mainland China		
Enterprise income tax for the period	**37,401**	44,261
Deferred tax	**–**	264
Income tax expense for the period	**37,401**	44,525

7. DIVIDENDS

During the current interim period, a final dividend of HK4 cents per share in respect of the year ended December 31, 2017 (2017: HK4 cents per share in respect of the year ended December 31, 2016) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HKD120,000,000, equivalent to RMB101,172,000 (2016: HKD120,000,000, equivalent to RMB104,916,000).

8. EARNINGS PER SHARE

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

	Six months ended	
	30/6/2018	30/6/2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share		
Profit of the period attributable to Owners of the Company	**194,816**	171,591
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,000,000,000**	3,000,000,000

9. INVENTORIES

	30/6/2018	31/12/2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Raw materials	**119,509**	120,713
Finished goods	**215,262**	217,430
	334,771	338,143

10. TRADE AND BILLS RECEIVABLES

	30/6/2018	31/12/2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**325,255**	55,343
Impairment	**(2,306)**	(2,306)
	322,949	53,037
Bills receivable	**12,200**	4,349
	335,149	57,386

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

	30/6/2018	31/12/2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 6 months	**325,255**	53,037

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

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

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

11. TRADE AND BILLS PAYABLES

	30/6/2018	31/12/2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**1,500,569**	1,334,282
Bills payable	**2,324,014**	2,698,383
Trade and bills payables	**3,824,583**	4,032,665

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

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

Included in the trade and bills payables are trade payables to the Group's related parties of RMB481,000 (December 31, 2017: RMB5,483,000) as at June 30, 2018 and bills payable to the Group's related parties of RMB nil (December 31, 2017: RMB7,330,000) as at June 30, 2018, respectively. Details of the Group's trade payables and bills payable balances with its related parties as at the end of the reporting period are disclosed in note 15(d).

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

In the first half of 2018, the Group continued to adjust their pricing strategies by offering more discounts to their distributors for certain products as part of promotions and made downward adjustments to suggested retailed prices of certain products. As a result, the total sales volume of electric scooters and electric bicycles increased from approximately 1,752,600 units for the six months ended June 30, 2017 to approximately 2,473,000 units for the six months ended June 30, 2018. Revenue from the sales of electric two-wheeled vehicles increased by 51.0% from approximately RMB2,372.7 million for the six months ended June 30, 2017 to approximately RMB3,581.9 million for the six months ended June 30, 2018. The average selling price of electric scooters slightly decreased from RMB1,642 for the six months ended June 30, 2017 to RMB1,638 for the six months ended June 30, 2018 while the average selling price of electric bicycles increased from RMB1,030 for the six months ended June 30, 2017 to RMB1,186 for the six months ended June 30, 2018. As the sales volume increased and the cost of certain models of electric scooters and electric bicycles also increased due to the upgrade of raw materials, the cost of sales also increased by approximately 40.1% from RMB2,760.6 million for the six months ended June 30, 2017 to RMB3,867.7 million for the six months ended June 30, 2018. Accordingly, the Group's overall gross profit margin slightly increased by approximately 0.4% from approximately 15.2% for the six months ended June 30, 2017 to approximately 15.6% for the six months ended June 30, 2018.

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

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

Financial Review

Revenue

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

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

Other income and gains, net

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

Profit for the Reporting Period

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

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As of June 30, 2018, cash and cash equivalents amounted to approximately RMB1,461.5 million, representing an increase of approximately 47.9% from approximately RMB988.3 million as of December 31, 2017. Such increase was primarily due to approximately RMB1,317 million net cash generate from investing activities and approximately RMB812 million net cash used in operating activities.

The Group's primary uses of cash were payment for marketing and advertising expense, funding of working capital and daily operating expenses. The Group financed its liquidity requirements through cash flows generated from its operating activities.

Net cash used in operating activities was approximately RMB812.2 million for the six months ended June 30, 2018, as compared with net cash used in operating activities of approximately RMB30.9 million for the six months ended June 30, 2017. Net cash generated from investing activities was approximately RMB1,317.6 million for the six months ended June 30, 2018, as compared with net cash used in investing activities of approximately RMB444.3 million for the six months ended June 30, 2017. Net cash used in financing activities was approximately RMB37.7 million for the six months ended June 30, 2018, as compared with net cash used in financing activities of approximately RMB104.1 million for the six months ended June 30, 2017.

Taking into account the Group's existing cash and cash equivalents, anticipated cash flow from its operating activities and the net proceeds from the initial public offering, the Board believes that the Group's liquidity needs will be satisfied.

Net current assets

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

Inventory

Inventory primarily consisted of raw materials and finished goods. Inventory decreased by approximately 1,0% from approximately RMB338.1 million as of December 31, 2017 to approximately RMB334.8 million as of June 30, 2018, primarily due to the increase of electric scooters, electric bicycles and related accessories reflecting the increase of the sales volumes. The average inventory turnover days for the six months ended June 30, 2018 increased to 15.7 days from 13.6 days for the corresponding period in 2017.

Gearing ratio

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

Human resources

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

Contingent liabilities

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

Pledge of the Group's assets

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

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

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

EVENTS AFTER REPORTING PERIOD

The Group does not have any material subsequent event after the Reporting Period.

USE OF NET PROCEEDS FROM LISTING

Net proceeds from the listing of the Company (after deducting underwriting fee and relevant expenses) amounted to approximately HK$1,074.0 million (equivalent to approximately RMB907.3 million). Such amounts are intended to be used according to the allocation set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated May 9, 2016. As of June 30, 2018, approximately 65% of the proceeds had been utilised.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code during the six months ended June 30, 2018.

The Board has also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

INTERIM DIVIDEND

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

AUDIT COMMITTEE REVIEW

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

The Audit Committee and the Company's management have considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting, including the review of the unaudited condensed consolidated interim financial statements of the Group for the Reporting Period. No prior year adjustments will be made to the consolidated financial statements of the Group.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.yadea.com.cn). The interim report of the Company for the Reporting Period will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board
Yadea Group Holdings Ltd.
Dong Jinggui
Chairman

Hong Kong, August 20, 2018

As of the date of this announcement, Mr. Dong Jinggui, Ms. Qian Jinghong, Mr. Liu Yeming, Mr. Shi Rui and Mr. Shen Yu are the executive Directors, and Mr. Li Zongwei, Mr. Wu Biguang and Mr. Yao Naisheng are the independent non-executive Directors.