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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Yadea Group Holdings Ltd. (雅迪集團控股有限公司) (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the year ended 31 December 2018 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2017 as follows:

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 26.3% to RMB9,916.7 million, as compared with the year ended 31 December 2017.
- Gross profit increased by approximately 38.6% to 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 RMB431.0 million, as compared with the year ended 31 December 2017.
- Basic earnings per share was RMB14.4 cents, up by RMB0.9 cents, as compared with the year ended 31 December 2017.
- Proposed a 2018 final dividend of 4.0 HK cents per ordinary share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	4	**9,916,652**	7,850,436
Cost of sales		**(8,297,067)**	(6,682,040)
Gross profit		**1,619,585**	1,168,396
Other income and gains, net		**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	6	**(809)**	–
Profit before tax	7	**478,744**	479,328
Income tax expense	8	**(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)	10	**14.4**	13.5
Diluted (cents per share)	10	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	RMB'000	*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)
Items 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

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current Assets			
Property, plant and equipment		**1,163,301**	1,081,115
Prepaid land lease payments		**286,167**	285,592
Intangible assets		**14,862**	15,938
Equity instrument at fair value through other comprehensive income		**15,305**	–
Available-for-sale investments		**–**	14,068
Prepayments		**82,166**	75,155
Prepayment for acquisition of property, plant and equipment		**65,939**	–
Deferred tax assets		**6,846**	15,275
		1,634,586	1,487,143
Current Assets			
Inventories	*11*	**259,492**	338,143
Trade receivables	*12*	**278,079**	–
Trade and bills receivables	*12*	**–**	57,386
Prepayments, deposits and other receivables		**579,599**	368,706
Receivable from a third party		**–**	175,541
Wealth management products and structured deposits		**1,967,487**	2,700,394
Debt instruments at fair value through other comprehensive income		**79,024**	–
Pledged bank deposits		**987,530**	889,537
Bank balances and cash		**1,973,390**	988,272
		6,124,601	5,517,979
Current Liabilities			
Trade and bills payables	*13*	**4,580,418**	4,032,665
Other payables and accruals		**290,242**	452,217
Contract liabilities		**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		**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

NOTES TO FINANCIAL STATEMENTS

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*

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 resulting from application of HKFRS 15 is disclosed in note 4.

Summary of effects arising from initial application of HKFRS 15

There's no impact of transition to HKFRS15 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	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018***
	RMB'000	*RMB'000*	*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.

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

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*.

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 *RMB'000*	**Equity instrument at FVTOCI** *RMB'000*	**Debt instrument at FVTOCI** *RMB'000*	**Financial assets at amortised cost (previously classified as loan 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

*From available-for-sale equity investments to fair value through other comprehensive income ("**FVTOCI**")*

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale. 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, RMB14,068,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, all of which related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gain of RMB3,705,000 relating to those 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, debt instrument at FVTOCI, pledged bank deposits, and bank balances and cash, 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 at 1 January 2018.

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)	**HKFRS 9**	**HKFRS 15**	**1 January 2018 (restated)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Available-for-sale investment	14,068	(14,068)	–	–
Equity instruments 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

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 Groverning 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.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Disaggregation of revenue from contract with customers

	2018	2017
	RMB'000	*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 bears 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, distributor 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 HKFRS15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(c) **Other income and gains, net**

	2018	2017
	RMB'000	*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 fair value through profit or loss	**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.

5. OPERATING SEGMENT

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. Accordingly, no segment information is presented.

Geographical information

Since over 90% of the Group's revenue and operating profit were generated from the sale of electric vehicles in the PRC and over 90% of the Group's non-current assets and liabilities were located in the 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*.

6. FINANCE COSTS

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

7. PROFIT BEFORE TAX

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

		For the year ended	
		2018	2017
		RMB'000	*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**	5,720
	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 7(b) above.

8. INCOME TAX EXPENSE

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

9. DIVIDENDS

	For the year ended	
	2018	2017
	RMB'000	*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.

10. 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	2017
	RMB'000	*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.

11. INVENTORIES

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

12. TRADE RECEIVABLES/TRADE AND BILLS RECEIVABLES

	31 December 2018	31 December 2017
	RMB'000	*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

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

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

13. TRADE AND BILLS PAYABLES

	31 December 2018	31 December 2017
	RMB'000	*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 December 2018	31 December 2017
	RMB'000	*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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

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 RMB1,903.4 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 77 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 and 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.

The table below sets out the breakdown of the Group's revenue for the periods indicated.

	For the year ended 31 December 2018			For the year ended 31 December 2017		
Product Type	**Revenue *(RMB'000)***	**% of total**	**Volume *'000 units***	Revenue *(RMB'000)*	% 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 R&D 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 has 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 R&D 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 generated from 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.

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 INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL 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.

PURCHASE, SALE OR RE-PURCHASE OF THE COMPANY'S LISTED SECURITIES

There were no purchase, sale and re-purchase of any of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules and has also put in place certain recommended best practices as set out in the CG Code. Throughout 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.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2018.

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 throughout 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.

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 (for the year ended 31 December 2017: 4.0 HK cents per ordinary share). The final dividend is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company (the "**AGM**") and the final dividend will be paid on Tuesday, 2 July 2019 to the Shareholders whose names appear on the register of members of the Company on Monday, 17 June 2019 (record date).

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on Wednesday, 5 June 2019. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed during the following period:

Latest time to lodge transfers documents for registration	4:30 p.m. on Wednesday, 29 May 2019
Closure of register of members	Thursday, 30 May 2019 to Wednesday, 5 June 2019 (both days inclusive)

For determining the members' entitlement of the proposed final dividend, the register of members of the Company will be closed during the following period:

Latest time to lodge transfers documents for registration	4:30 p.m. on Wednesday, 12 June 2019
Closure of register of members	Thursday, 13 June 2019 to Monday, 17 June 2019 (both days inclusive)

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company ("**Audit Committee**") comprising three independent non-executive Directors, namely Mr. Li Zongwei (chairman), Mr. Wu Biguang and Mr. Yao Naisheng. The Audit Committee has reviewed the annual results for the year ended 31 December 2018 of the Company. The Audit Committee and the Company's management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.yadea.com.cn). The annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

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

Hong Kong, 29 March 2019

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.