

XINYI AUTOMOBILE GLASS HONG KONG ENTERPRISES LIMITED

信義汽車玻璃香港企業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 08328

ANNUAL REPORT
2016



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*This report, for which the directors (the “**Directors**”) of Xinyi Automobile Glass Hong Kong Enterprises Limited (the “**Company**”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. LI Pik Yung
Mr. CHAN Chi Leung[^]

Non-executive Directors

Datuk TUNG Ching Sai (*Chairman*)⁻
Mr. LEE Shing Kan^o

Independent non-executive Directors

Mr. WANG Guisheng^{* o <}
Mr. NG Wai Hung^{# <}
Mr. CHAN Hak Kan, B.B.S., JP^{# +}

- * Chairman of audit committee
- # Members of audit committee
- + Chairman of remuneration committee
- o Members of remuneration committee
- ~ Chairman of nomination committee
- < Members of nomination committee
- ^ Compliance officer

COMPANY SECRETARY

Mr. CHAN Chi Leung, CPA

REGISTERED OFFICE

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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 135 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Squire Patton Boggs
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

COMPLIANCE ADVISER

RHB Capital Hong Kong Limited
12th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

AUDITOR

PricewaterhouseCoopers,
Certified Public Accountant
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong)
Hang Seng Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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Grand Cayman KY1-1108
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HONG KONG SHARE REGISTRAR

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Limited
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183 Queen's Road East
Wanchai, Hong Kong

COMPANY'S WEBSITE

www.xyglass.com.hk

SHARE INFORMATION

Place of listing: GEM of the Stock Exchange

Stock code: 08328

Listing date: 11 July 2016

Board lot: 4,000 ordinary shares

Financial year end: 31 December

Share price as of the date of this annual report: HK\$1.5

Market capitalisation as of the date of this annual report:

Approximately HK\$810.2 million

CHAIRMAN'S STATEMENT

On behalf of the Board of the Company, I am very pleased to present our first annual results after the successful listing (the "Listing") of our shares on GEM of the Stock Exchange on 11 July 2016 (the "Listing Date"). The Listing has marked the beginning of a new chapter for the Company and opened up brand-new opportunities for the Group's future growth.

For the year ended 31 December 2016, the Group recorded a 7.5% increase in revenue from HK\$45.9 million in 2015 to HK\$49.3 million in 2016. The gross profit margin decreased from 38.2% for the year ended 31 December 2015 to 28.6% for the year ended 31 December 2016. Excluding the listing expenses of HK\$5.0 million (2015: HK\$13.5 million), the profit after tax decreased from HK\$8.9 million to HK\$5.1 million.

However, during the year, the Group actively enhance and diversify its customers, and enhance the service quality and efficiency in order to increase the market share of the core business in the vehicle glass repair and replacement market. At the same time, the Group also strategically expanded its new energy business during the year to lay a solid foundation for future development.

I present below an overview of the business of the Group during 2016 and key development highlights for the coming year.

PROACTIVE MARKETING STRATEGIES TO ENHANCE AND DIVERSIFY CUSTOMER BASE

As one of the leading vehicle glass repair and replacement service providers in Hong Kong, the Group has built a strong customer base in Hong Kong. The year 2016 has been challenging for the retail business in Hong Kong as reflected in the Report on Monthly Survey of Retail Sales - December 2016 published by the Census and Statistics Department, Hong Kong Special Administrative Region with the provisional estimate of the value of sales for motor vehicles and parts recording a year on year decrease of about 13.0% in 2016. However, the Group still recorded a stable revenue growth of 7.5% for the year, which was contributed by our proactive marketing strategies. Driven by the strategy to enhance its business relationship with insurance companies, the Group received additional order from our existing insurance customers and has entered into additional cooperation agreements with insurance companies in Hong Kong during 2016 for the provision of vehicle glass repairing service to cars under their insurance coverage. The Group will continue to adopt proactive marketing strategies to enhance and diversify its customer base, and is committed to continue to improve the quality and the efficiency of the services it provides, in order to boost the market share of its core business in Hong Kong.

INCREASE IN SERVICE CAPACITY AND IMPROVEMENT IN CUSTOMER SERVICE FACILITIES

The Group currently has four service centres and a motorcade service team with 21 vehicles for the provision of its services. In late September, the Group's Hong Kong Island service centre was relocated from Quarry Bay to Chai Wan to continue its service, and the Group's Tokwawan service centre has completed its renovation. The Directors believe that these two service centres with enlarged space and brand new renovation can provide a better customer experience. The Group will continue to improve our customer service facilities to cater for the need of our customers.

STRATEGIC EXPANSION INTO NEW ENERGY BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

As set forth in the prospectus (the "Prospectus") of the Company dated 28 June 2016, the Group would be pursuing new business opportunities in new energy (electricity) in motor vehicles and transportation services. After completing the required feasibility study following the Listing, the Company has established on 28 July 2016 安徽信義電源有限公司 ("Xinyi Power Source", previously known as 蕪湖信義電源有限公司) as its wholly-owned subsidiary for the production of lithium battery products. The Directors expect that the annual production capacity of the production facilities would reach 300 million watt-hours and the commercial production will start in the second quarter of 2017.

As disclosed in the announcement dated 20 January 2017, Xinyi Power Source entered into an agreement with Xinyi Energy Smart (Wuhu) Company Limited, a wholly owned subsidiary of Xinyi Glass Holdings Limited for the subscription of 18% equity interest in Xinyi Wind Power (Jinzhai) Company Limited (金寨信義風能有限公司) ("Xinyi Wind"). Xinyi Wind is a limited liability company established in the PRC carrying on the business including development and operation of wind farms for electricity generation. Xinyi Wind has a wind farm in Anhui Province currently under construction.

The Directors expect that these business opportunities would become growth drivers of the Group in addition to its core service business in Hong Kong. The Group will assess new business opportunities in both lithium-ion battery and wind power businesses prudently for the purpose of creating maximum economic return to the shareholders (the "Shareholders") and facilitating the long-term growth of the business of the Group as a whole.

BUSINESS OUTLOOK

The Listing not only enables the Company to raise additional equity financing through the Hong Kong Public Offering (as defined in the Prospectus), but also raises the corporate profile of the Group. The enhanced corporate profile facilitates the Group in implementing its business strategies and achieving its business objectives set forth in the Prospectus.

The Group continues to implement its strategies in the plans according to the implementation schedules set forth in the Prospectus by using the net proceeds from the Hong Kong Public Offering (as defined in the Prospectus). The Directors are optimistic that the Hong Kong vehicle glass repairs and replacement business will remain stable over the next few years. The Group is committed to continue to improve the quality and the efficiency of the services it provides, so as to increase its market share of its core business in Hong Kong.

In the past decade, the lithium-ion battery and wind power energy market have been growing rapidly even though they account for a small percentage of the power source and power generation markets in the PRC. This means that there will be ample room for the further development in the future.

Lithium-ion batteries have been principally used in consumer electronics, automotive and energy storage applications. The lithium-ion battery plant of the Group is under construction and is expected to commence its commercial production within the second quarter of 2017. The Group is liaising with the target customers for power battery and energy storage applications. Rapid development in the lithium-ion automotive battery sector has been triggered by the increasing use of electric vehicles in recent years. Rapid growth in the lithium-ion energy storage and industrial battery is expected following the recently initiated supportive policies by the government. The Group believes that the energy storage sector will grow rapidly. Energy storage technology serves as a strategic support for future changes in energy structure and mode of electricity production and consumption and can be used in the energy storage products, such as large-scale power banks for manufacturing facilities to facilitate load shifting and power stabilisation.

CHAIRMAN'S STATEMENT

CONCLUSION

Our Group has successfully demonstrated our ability to maintain the market leadership in the Hong Kong vehicle glass repair and replacement market. With the carrying out of implementation plans, we remain optimistic about our future development and look forward to generating further growth and achieving more business breakthroughs in our core business in Hong Kong.

We are well positioned to benefit from the increasing market demand and supportive government policies for lithium-ion battery and wing power energy, which we believe would pave the way for substantial growth in our Group's future business.

Datuk TUNG Ching Sai
Chairman

27 February 2017

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is principally engaged in the business of vehicle glass repair and replacement services in Hong Kong. The Group currently has four service centres and a motorcade service team with 21 vehicles for the provision of its services.

Customers of the Group include (a) corporate customers, such as garages, car dealers, car rental companies, coach and bus companies and public service organisations and government departments, which are not insured under the motor vehicle insurance policies maintained with the insurance companies; (b) individual customers not insured under motor vehicle insurance policies; and (c) insurance companies pursuant to which we have entered into cooperation arrangements for the provision of vehicle glass repairs and replacement services for the insured car owners.

During the year ended 31 December 2016, as one of the strategies of the Group set forth in the Prospectus, the Group has started setting up a production plant for the production of lithium battery products in the PRC. The production plant has yet to start commercial operation, and the Directors expect that the production plant may commence the commercial production during the second quarter of 2017. Hence, during the year ended 31 December 2016, no revenue was generated from these business activities.

BUSINESS REVIEW

During the year ended 31 December 2016, the Group continued to be one of the largest service providers of vehicle glass repair and replacement in Hong Kong. The sales increased by 7.5% from HK\$45.9 million in 2015 to HK\$49.3 million in 2016. As the Listing was commenced in July 2016, the profitability of the Group continued to be affected by the expenses incurred for the Listing. The profit attributable to owners of the Company for 2016 amounted to HK\$0.1 million, whereas there was a loss attributable to owners of the Company of HK\$4.5 million recorded for 2015. Excluding the expenses for the Listing of HK\$5.0 million (2015: HK\$13.5 million) incurred and charged to profit and loss, the profit attributable to owners of the Company for 2016 was HK\$5.1 million, representing a decrease of HK\$3.9 million or 43.3% as compared with 2015.

Driven by the strategy to enhance the business relationship with insurance companies, the Group has entered into eight additional cooperation agreements with insurance companies in Hong Kong for the provision of vehicle glass repair service to the cars under their insurance coverage. The increase in demand from the insurance companies which are customers of the Group contributed to the stable growth of the Group's revenue in 2016.

OPERATIONAL REVIEW

Revenue

For the year ended 31 December 2016, the Group recorded revenue of HK\$49.3 million (2015: HK\$45.9 million). Revenue had increased by 7.5% mainly attributable to increase in demand from the insurance companies which are customers of the Group.

Cost of revenue and gross profit

The gross profit for the year ended 31 December 2016 was HK\$14.1 million (2015: HK\$17.5 million). Gross profit margin decreased from 38.2% to 28.6%. The decrease in gross profit of HK\$3.4 million and the decrease in gross profit margin was mainly due to higher cost of labour and rental expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

Other income included HK\$1.2 million refund of the rental expenses from the PRC government and HK\$0.4 million relating to foreign exchange gain for the bank balances which are denominated in Hong Kong Dollars and placed in the PRC.

Selling and administrative expenses

Selling and administrative expenses for the year ended 31 December 2016 was HK\$14.3 million in aggregate (2015: HK\$20.4 million) representing a decrease of HK\$6.0 million or 29.6%. Selling and administrative expenses, for the year ended 31 December 2016 included non-recurring Listing expenses of HK\$5.0 million (2015: HK\$13.5 million). Excluding the expenses for the Listing, the selling and administrative expenses for the year ended 31 December 2016 was HK\$9.3 million (2015: HK\$6.9 million) representing an increase of HK\$2.4 million or 35.2% which was mainly due to higher expenses incurred for audit and professional fees of HK\$1.4 million and pre-operating expenses of about HK\$0.5 million for PRC business.

Income tax expenses

We incurred income tax of HK\$1.5 million for the year ended 31 December 2016 (2015: HK\$1.9 million), which represented Hong Kong profits tax payable. The effective tax rates was 95.9% for the year ended 31 December 2016 (2015: negative 71.5%), which was higher than the standard tax rate of 16.5% principally due to the fact that certain expenses are not deductible for tax purposes. These items included (i) expenses incurred for Listing and (ii) the pre-operating expenses for the PRC business.

Profit before tax and net profit for the year

The Group recorded profit before tax for the year ended 31 December 2016 of HK\$1.5 million (2015: loss before tax of HK\$2.7 million). Excluding the listing expenses of HK\$5.0 million (2015: HK\$13.5 million) incurred and charged to profit and loss, the adjusted profit before tax for the year ended 31 December 2016 was HK\$6.5 million (2015: HK\$10.8 million), representing a decrease of HK\$4.3 million as compared with last year. This was mainly due to lower gross profit of HK\$3.4 million and higher selling and administrative expenses of HK\$2.4 million, partially offset by the higher other income of HK\$1.5 million.

Excluding the Listing expenses, the adjusted profit for the year ended 31 December 2016 was HK\$5.1 million, representing a decrease of HK\$3.9 million as compared with profit of HK\$8.9 million in 2015.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2016, the Group's primary source of funding included its own working capital and the net proceeds from the Listing in July 2016. At 31 December 2016, the Group had net current assets of HK\$23.3 million (31 December 2015: HK\$50.1 million) and cash and cash equivalents of HK\$42.7 million (31 December 2015: HK\$25.3 million) which were placed with major banks in Hong Kong and the PRC. As at 31 December 2016, the Group has unutilised banking facilities of HK\$10 million (31 December 2015: Nil).

The Group's net debt gearing ratio calculated based on bank borrowings less cash and bank balances divided by the shareholders' equity of the Group was not applicable as the Group has no bank borrowing as at 31 December 2015 and 31 December 2016.

CAPITAL STRUCTURE

The shares of the Company have been listed on GEM since 11 July 2016 and there are no material change in the capital structure of the Company since that date. The capital of the Group comprises only ordinary shares.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK\$69.3 million for year ended 31 December 2016 (2015: HK\$0.9 million) which was mainly related to the development and construction of lithium battery plant in the PRC and leasehold improvements of service centres and warehouse and additions of vehicles in Hong Kong.

Capital commitments contracted for but not incurred by the Group as at 31 December 2016 amounted to HK\$15.0 million (31 December 2015: Nil), which were mainly related to the purchase of various production plants and machinery for the lithium battery plant in the PRC from independent third parties under different independent contracts.

PLEDGE OF ASSETS

No assets of the Group were pledged as security for bank borrowings as at 31 December 2016 and 2015.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 157 (2015: 42) full-time employees of whom 108 (2015: Nil) were based in China and 49 (2015: 42) were based in Hong Kong. The Group maintains good relationships with all of its employees. It provides the employees with sufficient training in business and professional knowledge including information about the applications of the Group's products and skills in maintaining good customer relationships. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administered by the responsible government authorities in the PRC for its employees in the PRC. For the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) have been duly implemented.

SHARE OPTION SCHEME

No share options have been granted nor any existing share option schemes have been adopted by the Company as of the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2016.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group mainly operates in Hong Kong and China with most of the transactions denominated and settled in HK\$ and RMB. Exchange rate fluctuations between RMB and HK\$ could affect the Group's performance and asset value.

Amid the recent depreciation of RMB against HK\$, the Group reported HK\$1.9 million non-cash translation losses - a reduction in the reserve of its consolidated balance sheet - when converting RMB-denominated assets and liabilities into HK\$ at 31 December 2016.

The Group transacts mainly in HK\$ and RMB. However, the Group retains some bank balances in HK\$ in PRC which contributed to a foreign exchange gain of approximately HK\$0.4 million as HK\$ appreciated against RMB.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. During the year ended 31 December 2016, the Group did not use any financial instrument for hedging purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business strategies up to 31 December 2016 as stated in the Prospectus	Implementation plan	Actual business progress up to 31 December 2016
Expansion of service capacity	— Expand our Tokwawan service centre by renting one additional shop premises close to it.	The Group has rented one additional shop premises close to the existing Tokwawan service centre which is ready for use since August 2016.
	— Hire additional technicians to increase our service capacity.	The Group has hired one additional technician.
	— Expand our motorcade service teams by acquiring new vehicles for providing door-to-door services.	The Group has acquired a new motor vehicle.
Improvement in customer service facilities and service quality	— Renovate our Tokwawan service centres.	The Group has renovated its Tokwawan service centres.
	— Provide on-the-job training to our technicians covering topics including technical skills involved in installation of vehicle glass, customer service skills and workplace safety.	The Group has from time to time provided on-the-job training on topics including technical skills, customer service skills and work safety to our technicians.
Sales and marketing	— Distribute marketing materials to customers.	The Group has from time to time distributed marketing materials to customers, offered promotion activities for our services to customers and participated in major promotional events held by relevant industry organisations.
	— Offer promotion activities and/or other special packages for our services to our customers.	
	— Participate in major promotional events held by the relevant industry organisations.	
	— Enter into business contracts with insurance companies to broaden our customer base and increase our revenue.	The Group has entered into four business contracts with insurance companies for the provision of vehicle glass repair services to the cars under their insurance coverage in 2016 after the Listing Date.

The Directors will constantly evaluate the Group's business objectives and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE LISTING

As part of the Listing, the Company issued 55,000,000 new shares at the offer price of HK\$0.7 per share. The net proceeds of the public offering received by the Company were HK\$31.8 million after deducting the related expenses. The net proceeds have been applied for the purpose in accordance with the future plans and use of proceeds as set out in the Prospectus.

During the period from the Listing Date to 31 December 2016, the net proceeds from the public offering had been applied as follows:

Proposed use of proceeds	Adjusted use of proceeds in the same manner and proportion as stated in the Prospectus	Actual usage
	(Note) <i>HK\$ million</i>	<i>HK\$ million</i>
Expansion of service capacity	1.7	1.8
Improvement in customer service facilities and service quality	0.7	0.8
Sales and marketing	0.2	0.2
General working capital	0.1	0.1
Total	<u>2.7</u>	<u>2.9</u>

Note: This sum represents an aggregate amount of the planned use of proceeds from the Listing Date to 31 December 2016 as stated in the Prospectus being adjusted based on the amount of actual net proceeds in the same manner and proportion as shown in the Prospectus.

As at the date of this report, the Directors do not anticipate any change to the plan as to the use of proceeds.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2016. Apart from the capital contribution to subscribe for approximately 18% equity interest in a Company engaged in wind power business as disclosed in note 29 to the consolidated financial statements, and save as those disclosed in the Prospectus, there was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liability (2015: Nil).

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2016 and up to the date of this report except as disclosed in note 29 to the consolidated financial statements.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON- EXECUTIVE DIRECTOR

Datuk TUNG Ching Sai (董清世), aged 51, is a non-executive Director and our Chairman and is responsible for the formation of our Group's overall business strategy. Datuk TUNG Ching Sai has been working with Xinyi Glass Holdings Limited ("Xinyi Glass") and its subsidiaries ("Xinyi Glass Group") for 28 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass and the vice chairman and executive director of Xinyi Solar Holdings Limited ("Xinyi Solar"). He was the 4th and 5th chairman of the Shenzhen Federation of Young Entrepreneurs. Datuk TUNG Ching Sai is a committee member of The Chinese People's Political Consultative Conference of Fujian Province, and the vice chairman of the China Architectural and Industrial Glass Association. Datuk TUNG Ching Sai obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur award in September 2001 and was awarded the "Young Industrialist Awards of Hong Kong 2006". Datuk TUNG Ching Sai graduated from the Sun Yat-Sen University with a senior executive master degree in business administration. Datuk TUNG Ching Sai is the uncle of Ms. LI Pik Yung, an executive Director, and Mr. LEE Shing Kan, a non-executive Director.

EXECUTIVE DIRECTORS

Ms. LI Pik Yung (李碧蓉), aged 44, is our executive Director and our Chief Operation Officer. Ms. LI is responsible for overseeing the daily management, sales and marketing activities and human resources matters of our Group. Ms. LI has been working for the Group for over 18 years and was promoted as our executive Director in December 2015. Ms. LI is the spouse of Mr. SHI Chi Yuk, our Chief Executive Officer, a cousin of Mr. LEE Shing Kan and a niece of Datuk TUNG Ching Sai.

Mr. CHAN Chi Leung (陳志良), aged 36, is our executive Director, Financial Controller, and Company Secretary. Mr. CHAN is responsible for overseeing our financial, accounting, internal control and company secretarial matters. Mr. CHAN joined us as a Finance Manager in July 2015 and was promoted as our executive Director in December 2015. Mr. CHAN is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. CHAN graduated from The Chinese University of Hong Kong and obtained a bachelor's degree in business administration. Prior to joining us, Mr. CHAN worked in international accounting firms for more than 11 years.

NON-EXECUTIVE DIRECTOR

Mr. LEE Shing Kan (李聖根), aged 37, is our non-executive Director. Mr. LEE has been working in Xinyi Glass for over 12 years. Mr. LEE is currently an executive director of Xinyi Glass and is responsible for overseeing the automobile glass business segment of Xinyi Glass. Mr. LEE holds a bachelor's degree in commerce from the University of Melbourne and a master's degree in applied finance from Monash University. Mr. LEE is the member of the Fujian Province Committee of Chinese People's Political Consultative Conference. Mr. LEE was a director of Tung Wah Group of Hospitals from 2012 to 2014. Mr. LEE Shing Kan is a nephew of Datuk TUNG Ching Sai and a cousin of Ms. LI Pik Yung. Mr. LEE Shing Kan is the son of Datuk LEE Yin Yee, B.B.S., one of the controlling shareholders of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Guisheng (王貴升), aged 47, is our independent non-executive Director. Mr. WANG obtained a master's degree in business administration from China Europe International Business School in August 2014. Mr. WANG is qualified as Certified Public Accountant with the Chinese Institute of Certified Public Accountants and the HKICPA and has been a member of the Association of Chartered Certified Accountants of England since April 2003. From July 2005 to October 2010, Mr. WANG served as an executive director of Chengshang Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600828). From August 2007 to October 2010, Mr. WANG served as an executive director and the chief financial officer of Maoye International Holdings Limited, a company listed on the Stock Exchange (stock code: 00848). From June 2010 to October 2010, Mr. WANG served as an executive director of Maoye Communication and Network Corporation Limited (formerly known as Qinhuangdao Bohai Logistics Holdings Corporations Ltd.), a company listed on the Shenzhen Stock Exchange (stock code: 000889). Mr. WANG is currently an executive director, the chief financial officer and the company secretary of Man Wah Holdings Limited, a company listed on the Stock Exchange (stock code: 01999).

Mr. NG Wai Hung (吳偉雄), aged 53, is our independent non-executive Director. Mr. NG graduated from the University of Hong Kong with a bachelor's degree in laws in 1987. Mr. NG is a practising solicitor and a partner in Lu, Lai & Li, a Hong Kong firm of solicitors. Mr. NG practices in the areas of securities law, corporate law and commercial law in Hong Kong. From March 2000 to February 2011 and from February 2011 to March 2013, Mr. NG served as an independent non-executive director and the company secretary of Ares Asia Limited, a company listed on the Stock Exchange (stock code: 00645), respectively. From March 2000 to January 2012, January 2013 to August 2014 and January 2008 to September 2014, Mr. NG served as an independent non-executive director of Talent Property Group Limited, a company listed on the Stock Exchange (stock code: 00760), and E-Rental Car Company Limited (formerly known as Perception Digital Holdings Limited) (stock code: 01822), and Qingdao Holdings International Limited, a company listed on the Stock Exchange (stock code: 00499), respectively. Currently, Mr. NG is also an independent non-executive director of another eight companies listed on the Stock Exchange, namely, Fortune Sun (China) Holdings Limited, a company listed on the Stock Exchange (stock code: 00352), Gome Electrical Appliances Holding Limited, a company listed on the Stock Exchange (stock code: 00493), Sustainable Forest Holdings Limited, a company listed on the Stock Exchange (stock code: 00723), Trigiant Group Limited, a company listed on the Stock Exchange (stock code: 01300), On Time Logistics Holdings Limited, a company listed on the Stock Exchange (stock code: 006123), Kingbo Strike Limited (stock code: 01421), Tech Pro Technology Development Limited (stock code: 03823) and Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited) (stock code: 08172).

Mr. CHAN Hak Kan, B.B.S., JP (陳克勤), aged 40, is our independent non-executive Director. Mr. CHAN graduated from The Chinese University of Hong Kong, obtained a bachelor's degree in social science in December 1997, and further obtained a master's degree in social science in December 2003. From January 2000 to December 2003, Mr. CHAN served as an elected member of the Sha Tin District Council. Mr. CHAN is appointed as a member of the HKSAR Community Involvement Committee on Greening from March 2011 to February 2017. From January 2011 to December 2016, Mr. CHAN served as a member of the HKSAR Fish Marketing Advisory Board. Mr. CHAN has been a member of the HKSAR Legislative Council, HKSAR Marine Fish Scholarship Fund Advisory Committee, Tung Wah Group of Hospitals Advisory Board and ICAC Advisory Committee on Corruption since October 2008, April 2011, October 2016 and January 2017, respectively. In June 2012, Mr. CHAN was appointed as the Justice of the Peace by the Chief Executive of Hong Kong.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. SHI Chit Yuk (佘徹育), aged 48, is our Chief Executive Officer. Mr. SHI has been working for the Group for over 20 years since our inception. Mr. SHI has extensive experience in vehicle glass repairs and replacement business. Mr. SHI is also our operation director and is responsible for overseeing the daily operations and management of our Group. Mr. SHI is the spouse of Ms. LI Pik Yung.

Mr. CHUNG Chun Man (鍾振文), aged 40, is our Shop Manager. Mr. CHUNG has been working for Xinyi Automobile Glass Company Limited (“Xinyi Automobile Glass (HK)”) for over 19 years. Mr. CHUNG has extensive experience in repairs and replacement of vehicle glass for a wide range of vehicles. Mr. CHUNG is the Shop Manager of our service centre located in Kam Tin and is responsible for overseeing the daily operations of our Group.

Mr. LI Fuk Kin (李福建), aged 38, is our Shop Manager. Mr. LI has been working for Xinyi Automobile Glass (HK) for over 14 years. Mr. LI has extensive experience in repairs and replacement of vehicle glass for a wide range of vehicles. Mr. LI is the Shop Manager of our service centre located in Tokwawan and is responsible for overseeing the daily operations of our Group.

Mr. SZE Siu Lam (施少林), aged 43, is our Shop Manager. Mr. SZE has been working for Xinyi Automobile Glass (HK) for over eight years. Mr. SZE has extensive experience in repairs and replacement of vehicle glass for a wide range of vehicles. Mr. SZE is the Shop Manager of our service centre located in Tsuen Wan and is responsible for overseeing the daily operations of our Group.

Mr. LI Chun Chuen (李振川), aged 46, is our Shop Manager. Mr. LI has been working for Xinyi Automobile Glass (HK) for over 12 years. Mr. LI has extensive experience in repairs and replacement of vehicle glass for a wide range of vehicles. Mr. LI is the Shop Manager of our service centre located in Chai Wan and is responsible for overseeing the daily operations of our Group.

Mr. YANG Tie Bao (楊鐵寶), aged 44, is our General Manager of the lithium battery business. Mr. YANG holds a Doctor of Philosophy degree in Electrical Engineering from The University of Windsor, Canada. He joined Xinyi Glass Group in August 2015. Prior to joining the Group, he has been Acting General Manager of a lithium battery factory in the PRC, a co-founder of a technology company in the PRC and has been working with major corporations such as General Electric. He has published numerous technical articles, and is Visiting Professor of The Southwest Jiaotong University.

CORPORATE GOVERNANCE REPORT

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the “CG Code”) set out in Appendix 15 of the GEM Listing Rules from the Listing Date up to the date of this report.

The Company has applied the principles and in the opinion of the Board, the Company has complied with the applicable principles and code provisions of the CG Code from the Listing Date up to 31 December 2016.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors, and Datuk TUNG Ching Sai is the Chairman of the Board. Details of the Directors are set forth on pages 14 to 16 of this annual report.

The two executive Directors are Ms. LI Pik Yung and Mr. CHAN Chi Leung. Ms. LI Pik Yung is a niece of Datuk TUNG Ching Sai and a cousin of Mr. LEE Shing Kan.

The two non-executive Directors are Datuk TUNG Ching Sai and Mr. LEE Shing Kan. Mr. LEE Shing Kan is a nephew of Datuk TUNG Ching Sai.

The three independent non-executive Directors are Mr. WANG Guisheng, Mr. Ng Wai Hung and Mr. CHAN Hak Kan, B.B.S., JP.

The Company has complied with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors, one independent non-executive director of which has the appropriate professional qualifications or accounting or related finance management expertise and the independent non-executive directors represent at least one-third of the Board.

Where there is any casual vacancy in the Board, candidates will be proposed and put forward to the Board for consideration and approval, with a view to appointing to the Board individuals with the appropriate capabilities to fill the casual vacancy.

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set forth on pages 14 to 16 in this annual report.

The Board considers that its diversity is a vital asset to the business and has adopted a board diversity policy for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

CORPORATE GOVERNANCE REPORT

Datuk TUNG Ching Sai is the Chairman of the Group and Mr. SHI Chik Yuk is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. Datuk TUNG is responsible for ensuring that the Group has maintained strong and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of other members of the Board and other senior management, Mr. SHI closely monitors the operating and financial results of the Group, identifies any weakness in the operation and takes all necessary and appropriate steps to remedy such weakness. Mr. SHI is also responsible for formulating the future business plans and strategies of the Group for the Board's approval.

The current articles of association of the Company provide that subject to the manner of retirement by rotation of Directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall subject to retirement by rotation at least once every three years.

Each of the two non-executive Directors and the three independent non-executive Directors has entered into a letter of appointment with us on 25 June 2016 for a term of three years, commencing from the Listing Date.

The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 5.09 of the GEM Listing Rules.

Attendance records of the Directors at board meetings from the Listing Date (11 July 2016) up to 31 December 2016 are as follows:

Directors	Number of attendance
Datuk TUNG Ching Sai	4/4
Ms. LI Pik Yung	4/4
Mr. CHAN Chi Leung	4/4
Mr. LEE Shing Kan	4/4
Mr. WANG Guisheng	4/4
Mr. NG Wai Hung	3/4
Mr. CHAN Hak Kan, B.B.S., JP	4/4

At least four Board meetings are scheduled to be held during the year ending 31 December 2017.

The Board is responsible for the formulation of the overall strategies and objectives of the Group, monitoring and evaluating the operating and financial performance, the review of the corporate governance measures and supervision of the overall management of the Group. The senior management of the Group is responsible for the implementation of the business strategies and the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Directors have full access to all the information of the Group in relation to the business operation and financial performance of the Group. Senior management of the Group also provides the Directors from time to time with information on the business operation of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by the Directors (the “Model Code”) on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set out in the Model Code from the Listing Date and up to 31 December 2016.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises three members, namely Mr. CHAN Hak Kan, B.B.S., JP, Mr. LEE Shing Kan and Mr. WANG Guisheng. The chairman of the Remuneration Committee is Mr. CHAN Hak Kan, B.B.S., JP.

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. The Remuneration Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. From the Listing Date and up to 31 December 2016, a meeting of the Remuneration Committee was held and all the committee members attended this meeting.

Pursuant to code provision B1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors and chief executive of the Company) by band for the year ended 31 December 2016 is set forth below:

In the band of:	Number of individuals
Below HK\$1,000,000	2

Details of the Directors’ remuneration is set out in Note 27 to the consolidated financial statements of the Group.

AUDIT COMMITTEE

The Audit Committee of the Board comprises three independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, B.B.S., JP. Mr. WANG Guisheng is the chairman of the Audit Committee.

The primary duties of the audit committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group, nominate and monitor external auditors and provide advice and comments to the Board on matters related to corporate governance. The Audit Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. From the Listing Date up to 31 December 2016, the Audit Committee held 2 meetings, and all the committee members attended these meetings.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of three members, namely Datuk TUNG Ching Sai, Mr. WANG Guisheng and Mr. CHAN Hak Kan, B.B.S., JP. The chairman of the Nomination Committee is Datuk TUNG Ching Sai.

The Nomination Committee selects and recommends appropriate candidates, based on his or her prior experience and qualifications, to the Board for the appointment of Directors. The Nomination Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. From the Listing Date and up to 31 December 2016, the Nomination Committee held no meeting.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group. The Directors were not 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.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 43 and 44 of this annual report.

AUDITOR'S REMUNERATION

The professional fee charged by the external auditor of the Company, PricewaterhouseCoopers, for the year ended 31 December 2016 are as follows:

Services in respect of:	HK\$'000
– statutory audit in respect of the annual financial statements of the Group	750
– professional services in connection with the Listing of the Company ^(Note)	1,090

Note: The total professional fee for this service is HK\$3.0 million, out of which HK\$1.1 million was settled during the year ended 31 December 2016.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of risk management and internal control of the Group in order to ensure the effectiveness and efficiency of the operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives of the Group.

The key elements of the Group's risk management and internal control structure are as follows:

- Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;
- Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;
- Important business functions or activities are managed by experienced, qualified and suitably trained staff;
- Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary; and
- Internal audit function to perform independent appraisal of major operations on an ongoing basis.

The Company has established an inside information policy which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulation.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2016.

A risk-based approach is adopted to ensure that a methodical coverage of the Group's operations and resources are focused on high risk areas. The internal audit team takes the lead to evaluate the risk management and internal control systems of the Group by reviewing the major operations of the Group on a rotational basis every year. The review covers all material controls including financial, operational and compliance controls. Review results and recommendations in the form of written reports are submitted to the Audit Committee for discussion and review. Follow up actions will be taken up by the internal audit team to ensure that findings previously identified have been properly resolved.

Based on the results of the internal control review for the year ended 31 December 2016 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2016.

CORPORATE GOVERNANCE REPORT

DIRECTORS' INDUCTION AND PARTICIPATION IN CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

We provide to all the Directors a comprehensive induction package which includes introduction on the business operations, internal procedures and general policy of the Company and a summary of statutory and regulatory obligations of directors under the GEM Listing Rules and other relevant laws and regulations. During the year, all the Directors were provided with regular updates on the Group's business, operations, risk management and corporate governance matters to enable the Board as a whole and each Director to discharge their duties. The Directors are also encouraged to attend both in-house training and training provided by independent service providers. Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

COMPANY SECRETARY

The company secretary is Mr. CHAN Chi Leung, a member of the HKICPA. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. Further information on his biography is set forth on page 14 of this report. Mr. CHAN has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 64 of the articles of association (the "Articles") of the Company, an extraordinary general meeting ("EGM") shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following channels:

- (i) the annual general meeting provides a forum for the Shareholders of the Company to raise comments and exchange views with the Board. The Directors are available at the annual general meetings of the Company to address shareholders' queries;
- (ii) quarter, interim and annual results are announced as early as possible, to keep the Shareholders of the Company informed of the Group's performance and operations;
- (iii) the Company maintains a website at www.xyglass.com.hk, where updated key information/news of the Group is available for public access;
- (iv) Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the company secretary or via e-mail to "ir@xyglass.com.hk".

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the period from the Listing Date to the date of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Group is principally engaged in the business of vehicle glass repair and replacement services in Hong Kong. The Group currently has four service centres and a motorcade service team with 21 vehicles for the provision of its services.

The Group does not have any significant impact on the environmental and natural resources in the course of its operation.

During the year ended 31 December 2016, the Group has started setting up a production plant for the production of lithium battery products in the PRC. The production plant has yet to start commercial operation as at 31 December 2016.

The activities of the Group mean responsibility toward its customers, employees and numerous partners that the company wants to take in an exemplary manner, in line with its values. We are committed to taking into account the needs of our stakeholders, including impact on the environment and the communities in which we operate. This report provides an overview of the sustainability strategies and social responsibilities undertaken by the Group and is prepared with reference to the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 of the GEM Listing Rules (the “ESG Reporting Guide”). The Company has complied with the “comply or explain” provisions set out in the ESG Reporting Guide during the period. For details of the Group’s financial performance, risk management and internal control systems, and corporate governance matters, please refer to other sections in the annual report of the Company of which this Environmental, Social and Governance Report forms part.

ENVIRONMENTAL PROTECTION

Emissions and Use of Resources

Our service centres in Hong Kong do not involve production process, hence there is no obvious exhausting of pollutant emissions. During the year, major emission of the Group are from vehicles, particularly diesel vehicles. The Group has been replacing diesel vehicles with low-pollution vehicles in phase. During the years, two vehicles are replaced by more energy-efficient models. The Group promotes environmentally friendly driving habits to employees for reducing fuel consumption and reducing the exhausting of air pollutants and greenhouse gas emissions.

Due to the Group’s business nature, the energy, power and water utilisation during the year is relatively low. The Group strive to minimise the environmental impact by saving electricity and encouraging recycle of office supplies. The Group require employees to confirm that lights and electronic appliances are switched off before they leave the office and service centres.

The Group aims to support sustainable development by conducting our business in an environmentally responsible manner. The Group is aware of the impact of climate change and make effort to minimise the effect our operations have on the environment. Thus, when engaging the constructors for the leasehold improvement of our lithium battery plant, we requested our contractors to build in an eco-friendly way that using materials and building methods which would be less harmful to our environment, less greenhouse gas would be emitted and less wastes would be produced.

During the year, we had complied with the applicable laws and regulations relating to environmental protection and had not been subject to any penalties or fines by the competent authority for any non-compliance with the relevant environmental protection laws and regulations. We did not experience any incident or complaint or claim relating to environmental hazard which had a material impact on us during the year.

SOCIAL RESPONSIBILITY

Employment and Labour Standards

The employees of the Group are one of our key stakeholders. We provide good working environment including a workplace free of discrimination and provide equal opportunities for all employees along with competitive remuneration.

The Group does not hire any persons aged below 16 (or the relevant thresholds as may be prescribed under the local employment law) and its policy is not to employ any young persons aged 16 to 17 unless in compliance with applicable laws. During the recruitment process, job applicants will be requested to produce identity proof to ensure compliance with the Group's policy as stated above. During the year, all employees of the Group are aged 18 or above.

We enter into individual employment agreements with our employees, specifying terms including, among other things, salaries, benefits, training, workplace safety, confidentiality obligations relating to trade secrets, non-competition and grounds for termination. The remuneration package of our employees includes salaries, bonuses, paid leave, and allowances. Our employees also receive welfare benefits including medical care. We organise regularly group-wise activities like dinners in New Year or some Chinese festivals to increase the employee morale.

The Group strictly comply with relevant laws and regulations in the PRC and Hong Kong, and the relevant administrative rules and measures are strictly enforced. These rules and regulations specify the requirements relating to employment, labour relations, employees' remuneration and welfare to protect the rights of employees. We strictly complied with the laws, regulations and policies regarding the social security in the PRC and Hong Kong's Mandatory Provident Fund Schemes Ordinance. The Group paid social insurances and mandatory provident fund in a timely manner for all the staff.

Health and Safety

We are subject to the Hong Kong and the PRC laws and regulations regarding labour, safety and workplace incidents. We have implemented our internal safety manual, among other policies, to establish operating procedures for work safety, accident handling, accident rescue and safety training.

Work safety measures are adopted to protect our employees during the course of work. We provide our employees with safety manual, new employee training, regulation education and require supervision by our Directors and senior management.

We provide safety protection to our employees working in our service centres and plant, which include providing them with adequate safety equipment and ensuring that our service centres and plant facilities have adequate precautionary measures.

When there is an accident or emergency, immediate report to our administrative department and appropriate responsive actions are required. The department supervisor involved in the accident shall prepare report on accident, specifying the cause, injuries, loss and actions to be taken. Our Chief Executive Officer then informs the relevant authorities about the workplace injuries.

During the year, we had complied with the applicable laws and regulations relating to providing a safe working environmental and protecting employees from occupational hazards and had not been subject to any penalties or fines by the competent authority for any non-compliance with the relevant laws and regulations. We did not experience any workplace injuries which was material to our business during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

We allocate ample resources to staff training and development with the aim of sustaining a competent, professional and ethical staff force that will contribute to the success of the Group. Our commitment to staff development is also aligned with the expectation that our Group should engage and deploy personnel with sufficient skills, knowledge, experience and soundness of judgement for the discharge of their duties. Depending on their role, staff members will receive relevant on-the-job training in areas such as technical skills, customer service manner, work safety, operation manual, product knowledge, production process, compliance, risk management, leadership and management, and sales and relations management. Reinforcement and refresher training programs to ensure employees have the latest information and skills to carry out their duties to the highest standards.

OPERATING PRACTICES

Supply Chain

Our suppliers are manufacturers or distributors of vehicle glass, glass rubber strips and glass glue and are located in countries/regions such as the PRC, Japan and Hong Kong, as well as manufacturers of the lithium battery machineries in the PRC. We select our suppliers based on a stringent set of criteria, including product quality, price, production capacity, experience, industry qualifications and certifications, market credibility and aftersales services. Moreover, specific supplier requirements on business ethics, human rights and public responsibility were highlighted for the process of supplier selection. We carry out regular on-site inspection and assessment on some of our major suppliers including factory visits, assessment of their production facilities and production machinery, reviews of record keeping and management system and interviews with managements to ensure the potential suppliers meet our standards. The suppliers will become our qualified suppliers if they have met our selection criteria. We generally maintain a list of qualified suppliers by conducting annual evaluations to identify and remove suppliers that may not meet our standards. We also conduct periodic assessment with our suppliers to ensure their compliance with our quality standards.

Product Responsibility

We are committed to provide high quality vehicle glass repairs and replacement services. We have established a strict quality management system with internal procedure manual on the provision of vehicle glass repairs and replacement services. In order to ensure compliance with our internal procedure manual, we will also provide on-the-job training sessions to our technicians on a quarterly basis to enhance their technical skills and provide update on the latest technology, customer service skills and workplace safety in order to raise the standard and quality of our services. Our quality management team also carry out regular quality control inspections at our service centres to ensure our service quality.

Our quality management measures may be broadly divided into two stages: (i) the inspection of the vehicle glass and other consumables supplied by our suppliers and (ii) the inspection of the installed vehicle glass for each service request. Our quality management team comprises shop managers of our four service centres to monitor and ensure the incoming vehicle glass and other consumables can meet with the specifications and requirements. We conduct sampling check and inspection of our incoming vehicle glass and other consumables pursuant to our quality control guidelines and the quality standard required by our customers before they are used in our installation or replacement. We arrange for exchange or return for the defective materials.

For the services rendered, we implement quality control measures by after-service inspection by our senior technicians. We provide technical training to our technicians and will make sure that junior technicians are supervised by the more experienced and senior technicians in provision the vehicle glass repairs and replacement services.

Anti-corruption

The Code of Conduct allows our people to understand explicitly on several areas, which include the provisions of anti-corruption, antibribery, conflict of interest and gift policy.

The Group has implemented anti-corruption measures, by setting up communication channels for reporting of anti-corruption faults, soliciting or accepting advantages and offering advantages. The whistle-blowing system can handle any breach of the law covered by the Code of Conducts and we have not aware any material non-compliance during the year.

The Group's operations comply with local and national legislation on standards of conduct, such as with the Prevention of Bribery Ordinance in Hong Kong and relevant legislation on anti-corruption and bribery in the PRC.

Community Care

The Group believes that our role and responsibility in the communities we operate goes beyond being just a vehicle glass repairer. We develop harmonious environment for the local communities in which we are operating in. The Group hire staff from local communities, listen their needs, and maintain a pleasant working environment. During 2016, the Group has participated in charity functions like the Dress Casual Day organised by the Community Chest and our employees have actively made donations. Our management wants to express our great gratitude to our communities and plans to contribute the society, hence, we are developing a systematic policy and methods to give back to the society, i.e. to participate or encourage our staff in joining charity activities.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set forth in Note 12 to the consolidated financial statements of the Group in this annual report.

RESULTS AND APPROPRIATIONS

The Group's financial performance for the year ended 31 December 2016 is set out in the consolidated statement of profit or loss and other comprehensive income on page 45 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

BUSINESS REVIEW AND PROSPECTS

A business review of the Group for the year ended 31 December 2016 and its future development is set out in the Chairman's Statement from pages 4 to 6 and Management Discussion and Analysis from pages 7 to 13 of this annual report.

USE OF PROCEEDS FROM THE PUBLIC OFFERING OF SHARES

Details of the intended uses and utilised amount are set out on page 12 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Discussion of the Group's environmental policies and performance is contained in the section headed "Environmental, Social and Governance Report" on pages 24 to 27 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During year under review and to the best knowledge of the Company's directors, the Group had obtained and completed all material licenses, certifications, permits and registration necessary for its business operations, and the Group had complied in all material aspects with all laws, rules and regulations that have a significant impact on the Group's business and operations.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group values relationships with, and have been maintaining good relationships with its customers, raw material and equipment suppliers, service providers and the employees of the Group. During the year ended 31 December 2016, there were no material dispute between the Group and its customers, suppliers and employees.

PRINCIPAL RISKS AND UNCERTAINTIES

The business performance of the Group is subject to the following principal risks and uncertainties:

- Our success depends on our key executives and managerial personnel.

Vehicle glass repair and replacement business

- We operate in Hong Kong only and will continue to be affected by the economic, social and political conditions in Hong Kong.
- Our business and financial conditions and operating results depend on the constant supply of vehicle glass and our ability to effectively manage and maintain our level of inventories.
- Our profitability is subject to the rise and fluctuation of the prices of the vehicle glass.
- Any complaints or claims by our customers or negative publicity on our Group could materially and adversely affect our reputation and business.

Lithium battery production business

- The fluctuation in the raw materials will affect our profitability.
- The government support measures to the electric vehicle companies will affect the demand of our battery.

Details of the Group's exposure to foreign exchange risk and other financial risks are set out in the section headed "Treasury Policies and Exposure to Fluctuation in Exchange Rates" in the Management Discussion and Analysis on page 10 and section headed "Financial Risk Management" in the Consolidated Financial Statements from pages 62 to 65 of this annual report.

FINANCIAL SUMMARY

A summary of the operating results of the Group for the past three years ended 31 December 2016 and the assets liabilities of the Group as of 31 December 2014, 2015 and 2016 is set forth in the section headed "Financial Summary" of this annual report.

PLANT AND EQUIPMENT

Details of the movements in the Group's plant and equipment during the year ended 31 December 2016 are set forth in Note 13 to the consolidated financial statements.

SHARES ISSUED DURING THE YEAR

Details of shares issued during the year ended 31 December 2016 are set out in Note 18 to the consolidated financial statements in this annual report.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2016, share premium amounting to HK\$102.8 million (2015: HK\$66.6 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2016, the Company had distributable reserves available for distribution to Shareholders amounting to HK\$5.0 million (2015: Nil) other than mentioned above.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Island, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

DIRECTORS

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

Executive Directors

Ms. LI Pik Yung
Mr. CHAN Chi Leung

Non-executive Directors

Datuk TUNG Ching Sai (*Chairman*)
Mr. LEE Shing Kan

Independent non-executive Directors

Mr. WANG Guisheng (appointed on 25 June 2016)
Mr. NG Wai Hung (appointed on 25 June 2016)
Mr. CHAN Hak Kan, B.B.S., JP (appointed on 25 June 2016)

In accordance with article 108 of the Company's articles of association, Ms. LI Pik Yung, Mr. LEE Sing Kan, and Mr. WANG Guisheng will retire and being eligible, offer themselves for re-election at the Annual General Meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the Annual General Meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, taking into account the Group's operating results, individual performance as well as market trends and practices. The Company's policies concerning remuneration of the executive Directors are:-

- (i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;
- (ii) non-cash benefits may be provided to the executive Directors under their remuneration package; and
- (iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the Share Option Scheme, as part of their remuneration package.

None of the non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group.

Save for the remuneration of HK\$60,000 for each independent non-executive Director in 2016, none of the independent non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, B.B.S., JP and their mutual agreement with the Company.

Details of the remuneration of the Directors are set out in Note 27 to the consolidated financial statements in this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the continuing connected transaction disclosed on pages 36 to 37 of this report and the related parties transactions disclosed in Note 25 to the consolidated financial statements in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Save for the service agreements (for executive Directors) and letters of appointment (for the non-executive Directors and independent non-executive Directors) with the Company entered into with each of the Directors on 25 June 2016, no contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

Prior to the Listing, members of the Group were wholly-owned subsidiaries of Xinyi Glass and some of the employees of the Group have been granted share options pursuant to a share option scheme adopted by Xinyi Glass.

As of the date of this annual report, the Company does not have any share option scheme. The Board considers that it is in the interest of the Company to adopt a share option scheme (the “Share Option Scheme”) so as to continue to provide incentives or rewards to the eligible persons thereunder for their contributions to the success of the Group. The Board therefore proposed to recommend to the Shareholders at a general meeting to adopt the Share Option Scheme. A circular containing a summary of the details of the Share Option Scheme will be sent to the Shareholders in due course.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management at of the date of this annual report are set forth on pages 14 to 16 of this annual report.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Interests and short positions of our Directors in our Shares or the shares of our associated corporations

Director	Capacity	Name of the controlled corporations	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Datuk TUNG Ching Sai	Interest in a controlled corporation	Copark ⁽¹⁾ (as defined below)	30,866,571	5.71
		Full Guang ⁽³⁾ (as defined below)	3,696,750	0.68
	Personal interest/ Spouse interest ⁽¹⁾		40,970,250	7.59
	Interest in persons acting in concert ⁽²⁾		316,819,378	58.66

Notes:

- (1) Datuk TUNG Ching Sai is the beneficial owner of all the issued share capital of Copark Investment Limited ("Copark"), a company incorporated in the BVI and wholly-owned by Datuk TUNG Ching Sai, which is the registered owner of 30,866,571 of our Shares. Datuk TUNG Ching Sai also has personal interest in 363,500 Shares held in his own name and 40,606,750 Shares held through his spouse, Madam SZE Tang Hung.
- (2) Pursuant to the shareholders' agreement dated 25 June 2016 (the "Shareholders' Agreement"), the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under the Xinyi Glass Distribution (as defined in the Prospectus).
- (3) The interests in our Shares are held through Full Guang Holdings Limited ("Full Guang"), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Datuk LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Datuk TUNG Ching Sai as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2016, the Company had been notified of the following substantial shareholder's interest and short positions being 5% or more of the issued share capital of the Company.

Long positions in the Shares of the Company

Name of the Shareholders	Nature of interest and capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Datuk LEE Yin Yee, B.B.S.	Interest in controlled corporation ⁽³⁾	90,651,194	16.78
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.68
	Personal interest ⁽³⁾	18,539,250	3.43
	Interest in persons acting in concert ⁽²⁾	316,819,378	58.66
Mr. TUNG Ching Bor	Interest in a controlled corporation ⁽⁴⁾	33,345,807	6.17
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.68
	Personal interest ⁽⁴⁾	5,450,000	1.01
Mr. LEE Sing Din	Interest in persons acting in concert ⁽²⁾	316,819,378	58.66
	Interest in a controlled corporation ⁽⁵⁾	31,449,386	5.82
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.68
	Personal interest	2,596,250	0.48
Mr. LI Ching Wai	Interest in persons acting in concert ⁽²⁾	316,819,378	58.66
	Interest in a controlled corporation ⁽⁶⁾	14,572,608	2.70
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.68
Mr. LI Man Yin	Interest in persons acting in concert ⁽²⁾	316,819,378	58.66
	Interest in a controlled corporation ⁽⁷⁾	9,880,238	1.83
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.68
Mr. SZE Nang Sze	Personal interest ⁽⁷⁾	1,292,500	0.24
	Interest in persons acting in concert ⁽²⁾	316,819,378	58.66
	Interest in a controlled corporation ⁽⁸⁾	13,203,847	2.44
	Interest in controlled corporation ⁽¹⁾	3,696,750	0.68
Mr. NG Ngan Ho	Personal interest	35,000	0.01
	Interest in persons acting in concert ⁽²⁾	316,819,378	58.66
	Interest in a controlled corporation ⁽⁹⁾	9,731,739	1.80
Mr. LI Ching Leung	Interest in controlled corporation ⁽¹⁾	3,696,750	0.68
	Personal interest	325,000	0.06
	Interest in persons acting in concert ⁽²⁾	316,819,378	58.66
	Interest in a controlled corporation ⁽¹⁰⁾	9,731,738	1.80
Mr. LI Ching Leung	Interest in controlled corporation ⁽¹⁾	3,696,750	0.68
	Personal interest ⁽¹⁰⁾	481,250	0.09
	Interest in persons acting in concert ⁽²⁾	316,819,378	58.66

Notes:

- (1) The interests in our Shares are held through Full Guang, a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Datuk LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Datuk TUNG Ching Sai as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- (2) Pursuant to the Shareholders' Agreement entered amongst our controlling shareholders (as defined in the GEM Listing Rules), each of the parties has agreed to grant a right of first offer to the other parties if any of them intends to sell their Shares allotted to them under the Xinyi Glass Distribution.
- (3) Datuk LEE Yin Yee, B.B.S.'s interests in 90,651,194 Shares are held through Realbest Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Datuk LEE Yin Yee, B.B.S.. Datuk LEE Yin Yee, B.B.S.'s interests in 18,539,250 Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.
- (4) Mr. TUNG Ching Bor's interests in 33,345,807 Shares are held through High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. TUNG Ching Bor's interests in 5,450,000 Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.
- (5) Mr. LEE Sing Din's interest in Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din.
- (6) Mr. LI Ching Wai's interests in Shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.
- (7) Mr. LI Man Yin's interests in 9,880,238 Shares are held through Perfect All Investments Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Man Yin. Mr. LI Man Yin's interests in 1,292,500 Shares are held through a joint account with his spouse, Madam LI Sau Suet.
- (8) Mr. SZE Nang Sze's interests in Shares are held through Goldpine Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.
- (9) Mr. NG Ngan Ho's interests in Shares are held through Linkall Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. NG Ngan Ho.
- (10) Mr. LI Ching Leung's interests in 9,731,738 Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung has personal interests in 431,250 Shares held in his own name and 50,000 Shares held through his spouse, Madam DY Maria Lumin.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who had an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 December 2016.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

As far as the Directors are aware, during the year ended 31 December 2016, none of the Directors and their respective associates (as defined in the GEM Listing Rules) or the controlling shareholders (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete with the business of the Group. During the reporting period, the independent non-executive Directors have reviewed on behalf of the Company the compliance with Deed of Non-competition (as defined in the Prospectus) and are satisfied that the controlling shareholders of the Group and their associates have complied with the provisions of the Deed of Non-competition.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2016, appropriate insurance covering for the Directors' and senior management's liabilities arising out of activities of the Group has been arranged by the Company. As of the date of this annual report, such insurance covering remained effective.

REPORT OF THE DIRECTORS

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, sales to the Group's five largest customers accounted for approximately 16.1% of total sales and sales to the largest customer included therein amounted to approximately 7.5% of total sales. Purchases from the Group's five largest suppliers accounted for approximately 77.6% of total purchases during the year ended 31 December 2016 and purchases from the largest supplier included therein amounted to approximately 28.8% of total purchases. Xinyi Glass Group, which has the common controlling shareholders with the Group, is the Group's largest supplier, through Xinyi Group (Glass) Company Limited ("Xinyi Glass (Hong Kong)") and Xinyi International Investments Limited ("Xinyi International").

Save as disclosed above, none of the Directors, their associates (as defined in the GEM Listing Rules) or any of the shareholder of the Company which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any interest in the share capital of the Group's five largest customers and five largest suppliers during the year ended 31 December 2016.

BANK BORROWINGS

The Group did not have any bank borrowings as at 31 December 2016.

REWARD FOR EMPLOYEES

As at 31 December 2016, we had about 157 full-time employees and most of them are based in the PRC and HK. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee. The Directors confirm that the Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products, services and business processes.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2016 are set out in Note 25 to the consolidated financial statements. The related party transactions fall under the definition of connected transactions and continuing connected transactions under the GEM Listing Rules and have complied with the requirements under Chapter 20 of the GEM Listing Rules. Some of these transactions also constitute "non-exempt continuing connected transactions" under Chapter 20 of the GEM Listing Rules, as identified below.

Non-exempt continuing connected transactions

During the year ended 31 December 2016, the Group had the following non-exempt continuing connected transactions, details of which are set out below:

Purchase of glass products

On 14 December 2015, the Group entered into a glass supply framework agreement (“Glass Supply Framework Agreement”) with Xinyi International and Xinyi Glass (Hong Kong), both of which are subsidiaries of Xinyi Glass in relation to the purchase of vehicle glass products by the Group from Xinyi Glass Group. The purpose of the Glass Supply Framework Agreement was to secure a stable and reliable supply source of vehicle glass products which can satisfy our specifications and quality requirements. The maximum aggregate amount to be paid under the Glass Supply Framework Agreement was set at HK\$5.8 million, HK\$6.7 million and HK\$7.7 million respectively for the three years ended 31 December 2018. Xinyi Glass is a company with common controlling shareholders with the Company, and is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the Glass Supply Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

For the year ended 31 December 2016, the purchases of vehicle glass products by the Group from Xinyi Glass Group amounted to HK\$3,491,000, which were within the maximum aggregate amount of the Glass Supply Framework Agreement.

A waiver from strict compliance with the shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules has been granted by the Stock Exchange. The Company confirms that it has complied with the disclosure requirements in respect of the above non-exempt continuing connected transactions in accordance with Chapter 20 of the GEM Listing Rules in so far as they are applicable.

All independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

In accordance with Rule 20.54 of the GEM Listing Rules, the Company’s auditor was engaged to report on the Group’s non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 36 to 37 of this annual report in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

Please see the section headed “Corporate Governance Report” set out in this annual report for details of our compliance with the Corporate Governance Code.

INTEREST OF THE COMPLIANCE ADVISER

As notified by RHB Capital Hong Kong Limited (“RHB Capital”), save as (i) the compliance adviser agreement entered into between the Company and RHB Capital dated 16 December 2015; and (ii) the financial adviser agreement entered into between the Company and RHB Capital dated 26 August 2016 in relation to a potential notifiable transaction, which was subsequently discontinued, neither RHB Capital, its close associates nor any of the directors or employees of RHB Capital who have been involved in providing advice to the Company, has or may have any interest in any securities of the Company or which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as of 31 December 2016.

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors, with written terms of reference in compliance with the requirements of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and risk management and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The audit committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the year ended 31 December 2016.

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

Since the Listing Date and up to 31 December 2016, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float with at least 25% of the Shares held by the public as required under the GEM Listing Rules.

AUDITOR

The retiring auditor, PricewaterhouseCoopers, has signified its willingness to continue in office. A resolution will be proposed at the Annual General Meeting to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, 31 May 2017, at 21st Floor, Rykadan Capital Tower, No.135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 3:00 p.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xyglsss.com.hk, and will be dispatched to the shareholders in due course.

On behalf of the Board
Datuk TUNG Ching Sai
Chairman

Hong Kong, 27 February 2017

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

Independent Auditor's Report

To the Shareholders of Xinyi Automobile Glass Hong Kong Enterprises Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Xinyi Automobile Glass Hong Kong Enterprises Limited (the "Company") and its subsidiaries (the "Group") set out on pages 45 to 97, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2016, 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 ("HKSA") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 Matter

Provision for obsolete and slow moving inventories

Refer to notes 4 and 15 to the consolidated financial statements

As at 31 December 2016, the carrying value of the Group's inventories amounted to HK\$9,869,000 (2015: HK\$9,183,000), which consisted mainly of automobile glasses for various car models. Inventories are carried at lower of cost and net realisable value in the consolidated financial statements.

As automobile glasses are complementary to various car models that change from time to time, management applies judgement in determining the appropriate provision for obsolete and slow-moving inventories taking into consideration of a number of factors, including market data of car models, utilisation history, physical conditions and aging of inventories.

For the year ended 31 December 2016, inventories amounted to HK\$269,000 had been written off after management's assessment.

We focus on this area because the amount of inventories is a material balance to the consolidated balance sheet and judgements are involved in determining an appropriate provision for obsolete and slow moving inventories, which might have a significant financial impact to the consolidated financial statements.

How our audit addressed the Key Audit Matter

In assessing the provision for obsolete and slow-moving inventories, we have:

- Understood and evaluated the appropriateness and consistency of the basis management used in estimating the level of provision for inventories by comparing the historical accuracy of inventory provisioning, on a sample basis, to the realised amount; and the level of inventory write-offs during the year.
- Performed physical inventory observation at year end to identify whether there is any damaged or obsolete inventory.
- Checked, on a sample basis, the accuracy of inventories aging used by management to estimate the appropriate provision for obsolete and slow moving inventories.
- Performed audit analytics on stock holding and aging data to identify products with indication of slow moving or obsolescence.
- Compared the carrying amounts of a sample of inventories to their net realisable value through a review of sales subsequent to the year end to check for completeness of the associated provision.
- Reviewed the assessment performed by management, in particular whether the model of automobile glasses not being written off could be supported by continuous utilisation, by referencing to historical sales pattern and our industry knowledge.

Based on the procedures described above, we found that assumptions made by management in relation to the assessment on provision for obsolete and slow moving inventories are supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 AUDIT COMMITTEE 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.

The Audit Committee is 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. We report our opinion solely to you, as a body, 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 HKSA's 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 HKSA's, we exercise professional judgment and maintain professional scepticism 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.

INDEPENDENT AUDITOR'S REPORT

- 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Lai Pui Ling Sandra.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2016 HK\$'000	2015 HK\$'000
Revenue	5	49,320	45,864
Cost of revenue	7	(35,229)	(28,357)
Gross profit		14,091	17,507
Other income	6	1,727	208
Selling and marketing costs	7	(3,177)	(3,675)
Administrative expenses	7	(11,155)	(16,690)
Operating profit/(loss)		1,486	(2,650)
Finance income		61	1
Profit/(loss) before income tax		1,547	(2,649)
Income tax expense	9	(1,484)	(1,894)
Profit/(loss) for the year		63	(4,543)
Other comprehensive loss:			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences		(1,946)	—
Total comprehensive loss attributable to owners of the Company		(1,883)	(4,543)
Basic and diluted earnings/(loss) per share (HK cents per share)	10	0.01	(0.94)

The notes on pages 50 to 97 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December	
		2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Plant and equipment	13	68,479	3,502
Leasehold land	14	8,881	9,181
Prepayments for plant and equipment	16	1,880	—
		<u>79,240</u>	<u>12,683</u>
Current assets			
Inventories	15	9,869	9,183
Trade receivables, other receivables and prepayments	16	11,557	31,432
Cash and cash equivalents	17	42,688	25,252
		<u>64,114</u>	<u>65,867</u>
Total assets		<u><u>143,354</u></u>	<u><u>78,550</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	5,401	—
Reserves	19	96,935	62,805
Total equity		<u><u>102,336</u></u>	<u><u>62,805</u></u>

The notes on pages 50 to 97 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December	
		2016 HK\$'000	2015 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	22	172	—
Current liabilities			
Trade and other payables	20	39,318	15,529
Current income tax liabilities		1,528	216
		40,846	15,745
Total liabilities		41,018	15,745
Total equity and liabilities		143,354	78,550

The consolidated financial statements on pages 45 to 97 were approved by Board of Directors on 27 February 2017 and were signed on its behalf.

Datuk TUNG Ching Sai
Chairman

CHAN Chi Leung
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i> (Note 18)	Combined capital <i>HK\$'000</i> (Note 19(a))	Share premium <i>HK\$'000</i> (Note 19(d))	Exchange reserves <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i> (Note 19(c))	Share option reserves <i>HK\$'000</i> (Note 19(b))	Retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2015	—	100	—	—	—	2,350	55,528	57,978
Comprehensive income								
Loss for the year	—	—	—	—	—	—	(4,543)	(4,543)
Transactions with owners								
Employee's share option scheme:								
– Value of employee services	—	—	—	—	—	370	—	370
Issuance of shares and completion of the reorganization for the purpose of the initial public offering	—	(100)	—	—	100	—	—	—
Listing expenses borne by Xinyi Glass (Note 19(c))	—	—	—	—	9,000	—	—	9,000
Balance at 31 December 2015 and 1 January 2016	—	—	—	—	9,100	2,720	50,985	62,805
Comprehensive income								
Profit for the year	—	—	—	—	—	—	63	63
Other comprehensive loss	—	—	—	(1,946)	—	—	—	(1,946)
Total comprehensive loss	—	—	—	(1,946)	—	—	63	(1,883)
Transactions with owners								
Employee's share option scheme:								
– Value of employee services	—	—	—	—	—	202	—	202
Issuance of ordinary shares upon capitalisation issue (Note 18)	4,851	—	—	—	—	—	(4,851)	—
Issuance of ordinary shares upon initial public offering (Note 18, 19(d))	550	—	37,950	—	—	—	—	38,500
Share issuance costs	—	—	(1,775)	—	—	—	—	(1,775)
Listing expenses borne by Xinyi Glass (Note 19(c))	—	—	—	—	4,487	—	—	4,487
Balance at 31 December 2016	<u>5,401</u>	<u>—</u>	<u>36,175</u>	<u>(1,946)</u>	<u>13,587</u>	<u>2,922</u>	<u>46,197</u>	<u>102,336</u>

The notes on pages 50 to 97 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December	
		2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Cash generated from operations	24	3,684	10,046
Income tax paid		—	(1,902)
Net cash generated from operating activities		<u>3,684</u>	<u>8,144</u>
Cash flows from investing activities			
Purchase of plant and equipment		(38,094)	(856)
Prepayments for plant and equipment		(1,880)	—
Payment for value added tax arising from purchase of plant and equipment		(4,416)	—
Proceeds from disposal of plant and equipment		104	192
Repayment from a related company		26,848	10,000
Interest received		61	1
Net cash (used in)/generated from investing activities		<u>(17,377)</u>	<u>9,337</u>
Cash flows from financing activities			
(Repayment of advances)/advance from related companies		(6,128)	1,659
Proceed from other borrowing		16,696	—
Repayment of other borrowing		(16,696)	—
Issuance of shares pursuant to the initial public offering		38,500	—
Transaction costs attributable to the initial public offering		(951)	—
Net cash generated from financing activities		<u>31,421</u>	<u>1,659</u>
Net increase in cash and cash equivalents		17,728	19,140
Cash and cash equivalents at beginning of the year		25,252	6,112
Effect of foreign exchange rate change		(292)	—
Cash and cash equivalents at end of the year		<u>42,688</u>	<u>25,252</u>

The notes on pages 50 to 97 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

The Company was incorporated in the Cayman Islands on 18 November 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the “Group”) is principally engaged in the business of the installation of automobile glass products in Hong Kong (the “Automobile Glass Installation Business”). During the year ended 31 December 2016, the Group also started setting up a production plant for the production of lithium battery products in the People’s Republic of China (the “PRC”).

The shares of the Company has been listed on Growth Enterprise Market of the Stock Exchange of Hong Kong (“GEM”) since 11 July 2016 (the “Listing”).

These consolidated financial statement are presented in Hong Kong dollars (“HK\$”) unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied during to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the Hong Kong Companies Ordinance (Cap.622) for the years presented.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements is disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group:

During the year, the Group has adopted the following new standard and amendments to standards, which are mandatory for accounting period beginning on 1 January 2016.

HKAS 1 (Amendments)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants
HKAS 27 (Amendments)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendments)	Accounting for acquisitions of interest in joint operations
HKFRS 14	Regulatory deferral accounts
HKFRS (Amendments)	Annual improvements to HKFRSs 2012 - 2014 cycle

The adoption of these new and amended standards did not result in a significant impact the results and financial position of the Group.

(b) New standards and amendments to standards not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2017 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
HKAS 7 (Amendments)	Disclosure initiative	1 January 2017
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The directors of the Company is in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiary have been adjusted to conform to the Group's accounting policies.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents is presented in the consolidated statement of profit or loss and other comprehensive income within 'finance income or expenses'. All other foreign exchange gains and losses are presented in consolidated statement of profit or loss and other comprehensive income within 'other income'.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Leasehold land and plant and equipment

Plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in consolidated profit or loss during the financial period in which they are incurred.

Construction in progress represents plant and machinery on which construction work has not been completed and which, upon completion, management intends to hold for production purposes. Construction in progress is carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, construction in progress is transferred to appropriate categories of plant and equipment.

Leasehold land in Hong Kong is government-owned. The Group acquired the right to use certain land. The consideration paid for such right is treated as prepayment for operating lease and recorded as leasehold land, which is amortised over the lease period using the straight-line method.

Leasehold land	Over their lease period lives of 34 years
Storage containers and structures	20 years
Machinery	10 years
Furniture and fixtures	3 to 5 years
Motor vehicles	5 to 10 years
Leasehold improvements	5 to 10 years

The assets' useful lives are reviewed, and adjusted if appropriate, at end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in consolidated profit or loss.

2.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairments are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of inventories comprises invoiced cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in consolidated profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in consolidated profit or loss.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Operating lease (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated profit or loss on a straight-line basis over the period of the lease.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in consolidated profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Employee benefits

(a) Pension obligations

The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expenses where they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Employee benefits *(Continued)*

(d) Equity settled share-based payment transactions

Prior to the Listing, the Group's former ultimate holding company, Xinyi Glass Holdings Limited ("Xinyi Glass") operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the former ultimate holding company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium of the former ultimate holding company when the options are exercised.

Prior to the Listing, the grant by the former ultimate holding company of options over its equity instruments to the employees of the Group is equity settled share based payment. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an employee benefit expenses, with a corresponding credit to equity.

After the Listing, the Company ceased to be a subsidiary of Xinyi Glass. The Company became a company with common controlling shareholders with Xinyi Glass. All the grant by Xinyi Glass of options over its equity instruments to the employees of the Group will be recharged back by Xinyi Glass over the vesting period. Accordingly, the fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an employee benefit expenses, with a corresponding payable to Xinyi Glass.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, stated net of discounts, returns and rebates.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Provision of automobile glass installation and repair services

Revenue from the provision of automobile glass installation/repair services is recognised when services are provided.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.18 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.19 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated profit or loss as other income over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) *Market risk*

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC with majority of the transactions settled in HK\$ and Chinese Renminbi ("RMB"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to translation of assets or liabilities denominated in currencies other than the entity's functional currency.

As at 31 December 2016, certain bank balances held by a subsidiary in the PRC, whose functional currency is RMB, were denominated in HK\$. If HK\$ has weakened/strengthened by 5% against RMB, with all other variables held constant, the profit before tax for the year would have been approximately HK\$640,000 (2015: Nil) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK\$ denominated bank balances.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest bearing assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group's credit risk arises from cash at banks and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	As at 31 December	
	2016 HK\$'000	2015 HK\$'000
Trade and other receivables excluding prepayments (Note 16)	5,220	31,191
Cash at banks (Note 17)	42,530	25,149
Maximum exposure to credit risk	47,750	56,340

As at 31 December 2016, all the bank deposits were deposited with reputable banks in Hong Kong and the PRC. The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

In respect of trade and other receivables, the Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluations of its customers.

The credit period of the majority of the Group's trade receivables is due within 30 to 60 days and largely comprises amounts receivable from corporate customers.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Due to the nature of the underlying businesses, the Group's management responsible for treasury function aims to maintain flexibility in funding by keeping sufficient cash and committed banking facilities available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dates to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year or on demand
	<i>HK\$'000</i>
As at 31 December 2016	
Trade and other payables	
Trade payables	348
Accrued listing expenses	2,879
Other payables for purchase of plant and equipment	29,344
Other creditors and accruals	1,014
	<u>33,585</u>
As at 31 December 2015	
Trade and other payables	
Trade payables	581
Amounts due to related companies	6,128
Accrued listing expenses	3,402
Other creditors and accruals	27
	<u>10,138</u>

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions and adequacy of cash flows generating from operations and may raise funding through borrowings as necessary.

3.3 Fair value estimation

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(b) Impairment assessment of leasehold land and plant and equipment

Leasehold land and plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on fair value less cost to sell or value-in-use calculations, as appropriate, taking into account the latest market information and past experience.

(c) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of these receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

(d) Write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(e) Current income tax

The Group is subject to income tax in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the periods in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decision.

The executive directors determine the reportable segments from product perspective. The executive directors identified two operating segments, which represent the Group's reportable segments, respectively, including (1) sales of automobile glass with installation and repair services; and (2) sales of lithium battery products.

The executive directors assess the performance of the operating segments based on a measure of profit before income tax.

Set out below is a summary list of performance indicators reviewed by the executive directors on a regular basis:

	Year ended 31 December 2016			
	Sales of automobile glass with installation and repair services <i>HK\$'000</i>	Sales of lithium battery products <i>HK\$'000</i>	Corporate and unallocated expenses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	49,320	—	—	49,320
Cost of revenue	(34,026)	(1,203)	—	(35,229)
Gross profit/(loss)	15,294	(1,203)	—	14,091
Other income	76	1,598	53	1,727
Selling and marketing costs	(3,176)	(1)	—	(3,177)
Administrative expenses	(3,919)	(460)	(6,776)	(11,155)
Operating profit/(loss)	8,275	(66)	(6,723)	1,486
Finance income	17	43	1	61
Profit/(loss) before income tax	8,292	(23)	(6,722)	1,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

	Year ended 31 December 2015			
	Sales of automobile glass with installation and repair services <i>HK\$'000</i>	Sales of lithium battery products <i>HK\$'000</i>	Corporate and unallocated expenses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	45,864	—	—	45,864
Cost of revenue	(28,357)	—	—	(28,357)
Gross profit	17,507	—	—	17,507
Other income	208	—	—	208
Selling and marketing costs	(3,675)	—	—	(3,675)
Administrative expenses	(3,230)	—	(13,460)	(16,690)
Operating profit/(loss)	10,810	—	(13,460)	(2,650)
Finance income	1	—	—	1
Profit/(loss) before income tax	10,811	—	(13,460)	(2,649)

The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The Group's revenue is derived from customers of sales of automobile glass with installation and repair services located in Hong Kong.

During the year, there was no revenue from sales of lithium battery products (2015: nil).

During the year, none of the Group's customers accounted for more than 10% of the total revenue of the Group (2015: None).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors for the reportable segments as at 31 December 2016 is as follows:

	Assets and liabilities			
	Sales of automobile glass with installation and repair services <i>HK\$'000</i>	Sales of lithium battery products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total assets	54,148	84,808	4,398	143,354
Total assets included: Additions to non-current assets	2,528	66,790	—	69,318
Total liabilities	8,329	29,350	3,339	41,018

The segment information provided to the executive directors for the reportable segments as at 31 December 2015 is as follows:

	Assets and liabilities			
	Sales of automobile glass with installation and repair services <i>HK\$'000</i>	Sales of lithium battery products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total assets	78,550	—	—	78,550
Total assets included: Additions to non-current assets	856	—	—	856
Total liabilities	11,578	—	4,167	15,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

Reportable segment assets/(liabilities) are reconciled to total assets/(liabilities) as follows:

	Assets		Liabilities	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment assets/(liabilities)	138,956	78,550	(37,679)	(11,578)
Unallocated:				
Prepayments, deposits and other receivables	98	—	—	—
Cash and bank balances	4,300	—	—	—
Other payables	—	—	(3,339)	(3,402)
Amount due to related parties	—	—	—	(765)
Total assets/(liabilities)	143,354	78,550	(41,018)	(15,745)

(b) Non-current assets

	As at 31 December	
	2016 HK\$'000	2015 HK\$'000
Hong Kong	13,931	12,683
The PRC	65,309	—
	79,240	12,683

6 OTHER INCOME

	Year ended 31 December	
	2016 HK\$'000	2015 HK\$'000
Net disposal gain from plant and equipment (Note a)	104	175
Exchange gain	404	—
Government grants (Note b)	1,203	—
Others	16	33
	1,727	208

Note:

- During the year, the Group received compensations of HK\$79,000 (2015: HK\$192,000), from Hong Kong government for the incentive scheme for replacing Euro II diesel commercial vehicles.
- Government grants mainly represent grants obtained from the PRC government in relation to rental subsidy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

Expenses included in cost of revenue, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of inventories sold	12,144	10,950
Write-off of inventories	269	274
Advertising	99	56
Auditor's remuneration	750	90
Amortisation expenses (Note 14)	300	300
Depreciation expenses (Note 13)	970	786
Employee benefit expenses (including directors' emoluments) (Note 8)	19,995	16,723
Insurance expenses	248	153
Listing expenses	4,996	13,460
Motor vehicles expenses	1,176	1,270
Operating lease payments in respect of rented premises	6,251	3,087
Write-off of plant and equipment (Note 13)	39	401
Legal and professional fees	949	185
Others	1,375	987
	<hr/>	<hr/>
Total of cost of revenue, selling and marketing costs and administrative expenses	<u>49,561</u>	<u>48,722</u>

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Wages and salaries	13,529	10,782
Bonus	5,547	5,023
Share-based compensation	373	370
Pension costs - defined contribution scheme	546	480
Others	—	68
	<hr/>	<hr/>
	<u>19,995</u>	<u>16,723</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Pension costs — defined contribution scheme

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a monthly cap of HK\$1,500 and thereafter contributions are voluntary.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering its full time PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

The Group has no material obligation for post-retirement benefits beyond contributions to the above schemes.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors (2015: one) and the chief executive whose emoluments were reflected in the analysis presented in note 27. The emoluments paid to the remaining two (2015: three) individuals are as follows:

	Year ended 31 December	
	2016 HK\$'000	2015 HK\$'000
Wages and salaries	747	1,156
Bonus	662	674
Share-based compensation	48	72
Pension costs - defined contribution scheme	36	53
	<u>1,493</u>	<u>1,955</u>

The emoluments of the remaining individuals fell within the following bands:

	Year ended 31 December	
	2016	2015
Nil - HK\$1,000,000	<u>2</u>	<u>3</u>

(c) During the year, no amounts were paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2016 HK\$'000	2015 HK\$'000
Current income tax		
– Hong Kong profits tax (Note)	1,312	1,894
Deferred tax	172	—
	<u>1,484</u>	<u>1,894</u>

Note:

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2015: 16.5%).

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the tax rate applicable to the Group as follows:

	Year ended 31 December	
	2016 HK\$'000	2015 HK\$'000
Profit/(loss) before income tax	1,547	(2,649)
Calculated at a tax rate of 16.5%	255	(437)
Income not subject to tax	(23)	(32)
Expenses not deductible for tax purposes	1,270	2,368
Others	(18)	(5)
Income tax expense	<u>1,484</u>	<u>1,894</u>

There was no material unprovided deferred income tax as at 31 December 2016 (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/loss per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2016	2015
Profit/(Loss) attributable to owners of the Company (HK\$'000)	63	(4,543)
Weighted average number of ordinary shares in issue (thousands) (Note)	511,110	485,113
Basic earnings/(loss) per share (HK cents per share)	0.01	(0.94)

Note: The weighted average number of shares in issue for the year ended 31 December 2015 represented the 100 ordinary share issued on incorporation of the Company, the newly issued shares of 599 (Note 18) on 14 December 2015 for the purpose of the group reorganisation for the Listing and the further newly issued shares of 485,111,513.38 and 750 under the capitalisation issue on 25 June 2016 and 8 July 2016 respectively (Note 18).

(b) Diluted

For the year ended 31 December 2016, diluted earnings per share equals basic earnings per share as there was no potential dilutive share (2015: same).

11 DIVIDEND

No final dividend was declared during the year. (2015: Nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 SUBSIDIARIES

The following are details of the Group's subsidiaries:

Company Name	Place of incorporation and type of legal entity	Issued and paid up capital	Effective equity interest held by the Company (%)		Principal activities/ place of operation
			2016	2015	
Directly owned:					
Xinyi Automobile Glass Enterprises Limited	The British Virgin Islands ("BVI"), limited liability company	100 shares paid up to US\$100	100%	100%	Investment holding, Hong Kong
Harbour Fame Enterprises Limited	BVI, limited liability company	1 share paid up to US\$1	100%	N/A	Investment holding, Hong Kong
Double Fame Global Limited	BVI, limited liability company	1 share paid up to US\$1	100%	N/A	Investment holding, Hong Kong
Indirectly owned:					
Xinyi Automobile Glass Company Limited ("Xinyi Automobile Glass")	Hong Kong, limited liability company	100,000 shares paid up to HK\$100,000	100%	100%	Installation of automobile glass products, Hong Kong
Dragon Faith Holdings Limited	Hong Kong, limited liability company	10,000 shares paid up to HK\$10,000	100%	N/A	Investment holding, Hong Kong
Champion Goal Investments Limited	Hong Kong, limited liability company	10,000 shares paid up to HK\$10,000	100%	N/A	Investment holding, Hong Kong
Wuhu Longxin New Materials Company Limited (蕪湖龍信新材料有限公司)*	The PRC, wholly foreign owned enterprise	RMB 25,000,000	100%	N/A	Investment holding, the PRC
Wuhu Longxin Trading Company Limited (蕪湖龍信貿易有限公司)*	The PRC, limited liability company	RMB 25,000,000	100%	N/A	Investment holding, the PRC
Anhui Xinyi Power Source Company Limited ("Xinyi Power Source") (安徽信義電源有限公司)*	The PRC, Sino-Foreign equity joint ventures	RMB 50,000,000	100%	N/A	Research, production and sales of lithium battery products and investment holding, the PRC

* The official names of the above entities are in Chinese. English translations are for reference only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PLANT AND EQUIPMENT

	Storage containers and structures <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Construc- tion in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015							
Cost	1,712	1,108	—	4,947	1,703	—	9,470
Accumulated depreciation	(137)	(942)	—	(3,505)	(1,036)	—	(5,620)
Net book amount	<u>1,575</u>	<u>166</u>	<u>—</u>	<u>1,442</u>	<u>667</u>	<u>—</u>	<u>3,850</u>
Year ended 31 December 2015							
Opening net book amount	1,575	166	—	1,442	667	—	3,850
Additions	145	44	—	390	277	—	856
Depreciation	(82)	(51)	—	(461)	(192)	—	(786)
Disposal	—	(17)	—	—	—	—	(17)
Write-off	(346)	(15)	—	—	(40)	—	(401)
Closing net book amount	<u>1,292</u>	<u>127</u>	<u>—</u>	<u>1,371</u>	<u>712</u>	<u>—</u>	<u>3,502</u>
At 31 December 2015							
Cost	1,467	226	—	4,380	1,439	—	7,512
Accumulated depreciation	(175)	(99)	—	(3,009)	(727)	—	(4,010)
Net book amount	<u>1,292</u>	<u>127</u>	<u>—</u>	<u>1,371</u>	<u>712</u>	<u>—</u>	<u>3,502</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PLANT AND EQUIPMENT *(Continued)*

	Storage containers and structures <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Construc- tion in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2016							
Opening net book amount	1,292	127	–	1,371	712	–	3,502
Additions	18	340	511	1,423	1,674	63,472	67,438
Depreciation	(73)	(52)	(11)	(564)	(270)	–	(970)
Write-off	–	(1)	–	–	(38)	–	(39)
Currency translation differences	(1)	(8)	(11)	(9)	(3)	(1,420)	(1,452)
Closing net book amount	<u>1,236</u>	<u>406</u>	<u>489</u>	<u>2,221</u>	<u>2,075</u>	<u>62,052</u>	<u>68,479</u>
At 31 December 2016							
Cost	1,485	556	500	5,560	2,779	62,052	72,932
Accumulated depreciation	(249)	(150)	(11)	(3,339)	(704)	–	(4,453)
Net book amount	<u>1,236</u>	<u>406</u>	<u>489</u>	<u>2,221</u>	<u>2,075</u>	<u>62,052</u>	<u>68,479</u>

Depreciation expenses of HK\$935,000 (2015: HK\$765,000) have been charged in cost of revenue and depreciation expenses of HK\$35,000 (2015: HK\$21,000) have been charged in administrative expenses for the year (Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 LEASEHOLD LAND

	<i>HK\$'000</i>
Year ended 31 December 2015	
Opening net book amount	9,481
Amortisation	<u>(300)</u>
Closing net book amount	<u>9,181</u>
At 31 December 2015	
Cost	10,005
Accumulated amortisation	<u>(824)</u>
Net book amount	<u>9,181</u>
Year ended 31 December 2016	
Opening net book amount	9,181
Amortisation	<u>(300)</u>
Closing net book amount	<u>8,881</u>
At 31 December 2016	
Cost	10,005
Accumulated amortisation	<u>(1,124)</u>
Net book amount	<u>8,881</u>

Amortisation expenses of HK\$300,000 (2015: HK\$300,000) have been charged in cost of revenue for the year (Note 7).

The net book value of the Group's leasehold land is analysed as follows:

	As at 31 December	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Leasehold land in Hong Kong held on:		
Lease below 50 years	<u>8,881</u>	<u>9,181</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVENTORIES

	As at 31 December	
	2016 HK\$'000	2015 HK\$'000
Raw materials	677	—
Finished goods	8,881	8,786
Other consumables	311	397
	<u>9,869</u>	<u>9,183</u>

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$12,144,000 (2015: HK\$10,950,000) for the year (Note 7).

16 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016 HK\$'000	2015 HK\$'000
Trade receivables (Note (a))	4,185	3,266
Amounts due from related parties (Note (b) and 25(d))	—	26,848
Prepayments (Note (c))	3,359	241
Value added tax recoverable (Note (c))	4,858	—
Deposits and other receivables (Note (c))	1,035	1,077
	<u>13,437</u>	<u>31,432</u>
Less: non-current portion	<u>(1,880)</u>	<u>—</u>
Current portion	<u>11,557</u>	<u>31,432</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 TRADE AND OTHER RECEIVABLES(Continued)

Notes:

(a) Trade receivables

The majority of credit period granted by the Group to its customers is generally 30 to 60 days. The ageing analysis of the Group's trade receivables based on invoice date was as follows:

	As at 31 December	
	2016 HK\$'000	2015 HK\$'000
0-60 days	2,592	2,343
61-180 days	1,411	893
181-365 days	182	30
	<u>4,185</u>	<u>3,266</u>

The carrying amounts of the Group's trade receivables are denominated in HK\$.

As at 31 December 2016, trade receivables of HK\$1,593,000 (2015: HK\$923,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables based on due date is as follows:

	As at 31 December	
	2016 HK\$'000	2015 HK\$'000
0-60 days	1,411	768
61-180 days	154	143
Over 180 days	28	12
	<u>1,593</u>	<u>923</u>

(b) Amounts due from related parties

As at 31 December 2015, the amounts due from related parties were unsecured, interest-free and repayable on demand. The amounts due from related parties were fully settled on 10 March 2016.

(c) The carrying amount of the Group's prepayments, value added tax recoverable and deposits and other receivables are denominated in the following currencies:

	As at 31 December	
	2016 HK\$'000	2015 HK\$'000
HK\$	1,265	1,318
RMB	7,987	—
	<u>9,252</u>	<u>1,318</u>

(d) The maximum exposure to credit risk was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of trade receivables and other receivables approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cash at banks	42,530	25,149
Cash on hand	158	103
	<u>42,688</u>	<u>25,252</u>

Bank balances and cash are denominated in the following currencies:

	As at 31 December	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
HK\$	42,482	25,252
RMB	206	—
	<u>42,688</u>	<u>25,252</u>

As at 31 December 2016, the Group had cash and banks balances amounted to approximately HK\$12,803,000 (2015: Nil), which was held at banks in the PRC. These cash and bank balances are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SHARE CAPITAL

The Company was incorporated in Cayman Islands on 18 November 2015. At the date of incorporation, an authorised share capital of HK\$20,000,000,000 comprising 2,000,000,000,000 ordinary shares of HK\$0.01 each and 100 share was allotted and issued to Xinyi Automobile Glass (BVI) Company Limited (“Xinyi Glass (BVI)”).

On 14 December 2015, all the 100,000 shares of Xinyi Automobile Glass were transferred from Xinyi International Investments Limited (“Xinyi International”) to the Group at the consideration of 599 shares allotted and issued by the Company to Xinyi Glass (BVI).

On 25 June 2016 and 8 July 2016, the Company further allotted and issued 485,111,513.38 and 750 shares respectively to Xinyi Glass (BVI) by way of capitalisation issue.

On 11 July 2016, in connection with the Listing, 55,000,000 shares of HK\$0.01 each of the Company were issued at the offer price of HK\$0.70 to public investors with gross proceeds of HK\$38,500,000, of which HK\$550,000 was credited to the share capital account and HK\$37,950,000 was credited to the share premium account.

The number of the Company’s shares authorised and issued are as follows:

	Numbers of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	2,000,000,000,000	20,000,000
Ordinary shares, issued and fully paid:		
Issued during the period from		
18 November 2015 to 31 December 2015	699.00	—
At 31 December 2015	699.00	—
Capitalisation issue of shares	485,112,263.38	4,851
Issuance of ordinary shares upon		
initial public offering	55,000,000.00	550
At 31 December 2016	540,112,962.38	5,401

19 RESERVES

(a) Combined capital

Combined capital at 1 January 2015 represent the share capital of Xinyi Automobile Glass, the principal operating company of the Group.

(b) Share option reserves

In 2005, Xinyi Glass, the former ultimate holding company prior to the Listing, adopted a share option scheme (the “Share Option Scheme”). Under the Share Option Scheme, directors of Xinyi Glass may, at their sole discretion, grant options to any employee of Xinyi Glass and its subsidiaries to subscribe for shares of the former ultimate holding company at the highest of:

- (i) The closing price of shares of the Xinyi Glass as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant;
- (ii) The average closing price of the shares of the Xinyi Glass as stated in the Stock Exchange’s daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and
- (iii) The nominal value of Xinyi Glass shares.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

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 Xinyi Glass must not, in aggregate, exceed 10% of the shares in issue upon completion of the placing and the capitalisation issue of the shares of Xinyi Glass, unless Xinyi Glass obtains further approval from the shareholders. Notwithstanding the above, the maximum number of shares to 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 Xinyi Glass must not, in aggregate, exceed 30% of the relevant shares or securities of Xinyi Glass in issue from time to time.

Movements in the number of share options granted by Xinyi Glass to the employees of the Group and their related weighted average exercise prices are as follows:

	2016		2015	
	Average exercise price in HK\$ per share	Options (unit)	Average exercise price in HK\$ per share	Options (unit)
At 1 January	5.34	1,069,000	5.78	1,163,000
Granted	4.81	317,000	4.55	292,000
Exercised	4.94	(513,000)	—	—
Lapsed	—	—	6.44	(240,000)
Forfeited	5.55	(26,000)	5.48	(146,000)
At 31 December	5.37	847,000	5.34	1,069,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 RESERVES (Continued)

(b) Share option reserves (Continued)

Out of the above outstanding share options, none (2015: 257,000) were exercisable at 31 December 2016. During the year, 513,000 options was being exercised (2015: nil).

These outstanding share options at the end of the year have the following expiry dates and exercise prices:

Expiry Date	Average exercise price in HK\$ per share	As at 31 December	
		2016 Units	2015 Units
31 March 2016	4.34	—	257,000
31 March 2017	5.55	—	262,000
31 March 2018	6.84	268,000	276,000
31 March 2019	4.55	268,000	274,000
31 March 2020	4.81	311,000	—
		<u>847,000</u>	<u>1,069,000</u>

The weighted average fair values of these options granted were determined using the Black-Scholes valuation model, which were performed by an independent valuer, Greater China Appraisal Limited, and were approximately HK\$0.92 (2015: HK\$1.22) per option respectively. The significant inputs into the model are as follows:

	Year ended 31 December	
	2016	2015
Weighted average share price, at the grant date (HK\$)	4.81	4.55
Exercise price (HK\$)	4.81	4.55
Volatility (%)	36.99%	44.57%
Dividend yield (%)	4.63%	3.08%
Expected share option life (years)	3.54	3.58
Annual risk-free interest rate (%)	1.00%	0.93%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year. See Note 8 for the total expense recognised in the profit or loss for share options granted to employees of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 RESERVES (Continued)

(c) Capital reserves

Listing expenses directly attributable to issuing new shares for public offering are recognised in equity, while other expense are recognised in the consolidated statement of profit or loss and other comprehensive income, as and when they are incurred. On 7 December 2015, it was agreed with Xinyi Glass that two third and one third of such expenses were borne by Xinyi Glass and the Company, respectively. Upon payment of these expenses by Xinyi Glass, a capital contribution from Xinyi Glass were recorded in the Company's equity.

During the year, capital reserve of HK\$4,487,000 (2015: HK\$9,000,000) have been recognised as capital contribution from Xinyi Glass.

(d) Share premium

Share premium of HK\$36,175,000 represented the difference between the proceeds of HK\$38,500,000 from issuance of ordinary shares upon initial public offer on 11 July 2016 over the nominal value of the share capital of the Company issued of HK\$550,000, net of the transaction costs of HK\$1,775,000.

20 TRADE AND OTHER PAYABLES

	As at 31 December	
	2016 HK\$'000	2015 HK\$'000
Trade payables (Note (a))		
– Third parties	152	458
– Related companies (Note 25 (d))	196	123
	<u>348</u>	<u>581</u>
Amounts due to related companies (non-trade) (Note (b))	–	6,128
Accrued salaries	1,120	969
Accrued bonus	4,613	4,422
Accrued listing expenses	2,879	3,402
Other payables for plant and equipment	29,344	—
Other creditors and accruals	1,014	27
	<u>39,318</u>	<u>15,529</u>

The carrying amounts of trade payables, amounts due to related companies, accrued expenses and other payables approximate to their fair value and were mainly denominated in the following currencies:

	As At 31 December	
	2016 HK\$'000	2015 HK\$'000
HK\$	9,966	15,529
RMB	29,352	—
	<u>39,318</u>	<u>15,529</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

	As at 31 December	
	2016 HK\$'000	2015 HK\$'000
Within 30 days	348	581

(b) Amounts due to related companies

As at 31 December 2015, the amounts due to related companies are denominated in HK\$, and were unsecured, interest-free and repayable on demand (Note 25(d)).

21 BANKING FACILITIES

As at 31 December 2016, the group has undrawn borrowing facilities of HK\$10,000,000 (31 December 2015: Nil), which are annual facilities expiring within one year and subject to review during 2017.

22 DEFERRED INCOME TAX

The analysis of deferred tax liabilities is as follows:

	As at 31 December	
	2016 HK\$'000	2015 HK\$'000
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	(73)	—
– Deferred tax liability to be recovered within 12 month	(99)	—
	<u>(172)</u>	<u>—</u>

The gross movement on the deferred income tax account is as follow:

	Year ended 31 December	
	2016 HK\$'000	2015 HK\$'000
At 1 January	—	—
Income statement charge	172	—
At 31 December	<u>172</u>	<u>—</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 DEFERRED INCOME TAX *(Continued)*

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities:

	Accelerated tax depreciation <i>HK\$'000</i>
As at 1 January 2015, 31 December 2015 and 1 January 2016	—
Credited to consolidated income statement	172
As at 31 December 2016	<u>172</u>

23 COMMITMENTS

(a) Operating lease commitments

The Group leases various shop premises and warehouse in Hong Kong and the production facilities in the PRC. The majority of lease agreements are non-cancellable with lease terms ranged from 1 to 6 years. The lease expenses charged to the profit or loss during the year are disclosed in Note 7.

The future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Not later than one year	8,885	3,908
Later than one year and not later than five years	25,444	1,647
More than five years	3,066	—
	<u>37,395</u>	<u>5,555</u>

(b) Capital commitment

The capital expenditure contracted but not yet incurred is as follows:

	As at 31 December	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Property, plant and equipment Contracted but not provided for:	<u>14,960</u>	<u>—</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities		
Profit/(loss) before income tax	1,547	(2,649)
Adjustments for:		
– Interest income	(61)	(1)
– Depreciation expenses	970	786
– Amortisation expenses	300	300
– Share option granted to employee	202	370
– Write-off plant and equipment	39	401
– Write-off of inventories	269	274
– Net disposal gain from plant and equipment	(104)	(175)
– Listing expenses borne by Xinyi Glass (Note)	3,304	9,000
	<u>6,466</u>	<u>8,306</u>
Changes in working capital:		
– Inventories	(948)	(1,854)
– Trade and other receivables	(2,479)	(1,393)
– Trade and other payables	645	4,987
	<u>645</u>	<u>4,987</u>
Cash generated from operations	<u>3,684</u>	<u>10,046</u>

Non-cash transaction

Note: As disclosed in note 19(c), on 7 December 2015, it was agreed with Xinyi Glass that two third and one third of such expenses were borne by Xinyi Glass and the Company, respectively. Upon payment of these expenses by Xinyi Glass, a capital contribution from Xinyi Glass were recorded in the Company's equity. During the year ended 31 December 2016, the Group incurred listing costs amounted to HK\$6,771,000 (HK\$1,775,000 was charged to equity and HK\$4,996,000 was charged to profit or loss), out of which HK\$4,487,000 (HK\$1,183,000 was charged to equity and HK\$3,304,000 was charged to profit or loss) were borne and settled by Xinyi Glass. (2015: The Group incurred listing costs amounted to HK\$13,460,000, out of which HK\$9,000,000 were borne and settled by Xinyi Glass)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business, and balances arising from related party transactions.

(a) Name and relationship with related parties

Name of related parties	Relationship with the Company
Xinyi Glass	Datuk TUNG Ching Sai and Mr. LEE Shing Kan are directors of Xinyi Glass
Xinyi Group (Glass) Company Limited ("Xinyi Glass (Hong Kong)")	A subsidiary of Xinyi Glass.
Xinyi International	A subsidiary of Xinyi Glass.
Xinyi Glass Japan Company Limited	A subsidiary of Xinyi Glass.
Dongguan Benson Automobile Glass Company Limited	A subsidiary of Xinyi Glass.
Xinyi Automobile Glass (Shenzhen) Company Limited	A subsidiary of Xinyi Glass.
Xinyi Glass (BVI)	A subsidiary of Xinyi Glass.
Cheer Wise Investments Limited ("Cheer Wise")	A joint venture of Xinyi Glass and Xinyi Solar Holdings Limited
Mr. LEE Shing Kan ("Mr. LEE")	Non-executive director
Mr. TUNG Fong Ngai ("Mr. TUNG")	Close family member of one of the controlling shareholders

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

During the year, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 December	
	2016 HK\$'000	2015 HK\$'000
Continuing transactions		
– Purchase of automobile glass from Xinyi International (Note i)	1,529	2,899
– Purchase of automobile glass from Xinyi Glass (Hong Kong) (Note i)	1,962	2,587
– Share option expenses recharged by Xinyi Glass (Note iv)	171	—
– Operating lease payments in respect of office premises paid to Cheer Wise (Note iii)	40	—
– Operating lease payments in respect of shop premises paid to Mr. LEE and Mr. TUNG (Note iii)	456	698
Discontinuing transactions		
– Agency fee for purchase of glass glue to Xinyi Glass Japan Company Limited (Note ii)	—	8

Notes:

- i. Purchases of automobile glass from related companies were charged at mutually agreed prices and terms.
- ii. The agency fee for sourcing of glass glue from Japan was charged at mutually agreed prices and terms.
- iii. Rental expenses are paid with price and terms mutually agreed with related parties.
- iv. After the Listing, share option expenses were charged at expenses incurred by Xinyi Glass.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Wages and salaries	3,250	2,439
Bonus	3,636	3,995
Share-based compensation	257	274
Pension costs – defined contribution scheme	128	112
	7,271	6,820

(d) Amounts due from/(to) related parties

	As at 31 December	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade		
Amount due to Xinyi International	(60)	—
Amount due to Xinyi Automobile Glass (Shenzhen) Company Limited	(7)	—
Amount due to Xinyi Glass (Hong Kong)	(129)	(123)
Non-trade		
Amount due from Xinyi Glass (Hong Kong)	—	26,846
Amount due from Xinyi Glass	—	2
Amount due to Xinyi International	—	(5,018)
Amount due to Xinyi Automobile Glass (ShenZhen) Company Limited	—	(337)
Amount due to Dongguan Benson Automobile Glass Company Limited	—	(8)
Amount due to Xinyi Glass (BVI)	—	(765)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Amounts due from/(to) related parties *(Continued)*

The maximum outstanding balances due from the related parties during the years are as follows:

	Year ended 31 December	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Amount due from Xinyi Glass (Hong Kong)	26,846	39,140
Amount due from Xinyi Glass	<u>2</u>	<u>2</u>

Receivables and payables from/(to) the above related parties were unsecured, interest-free and repayable on demand. The amounts due from Xinyi Glass (Hong Kong) and Xinyi Glass are neither past due nor impaired. The carrying amounts of the amounts due from/(to) related parties approximate to their fair values and are denominated in HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
ASSETS		
Non-current asset		
Investment in subsidiaries	66,595	66,595
Current asset		
Cash and cash equivalents	3,677	—
Amount due from subsidiaries	59,586	—
Prepayment and deposits	97	—
	<u>63,360</u>	<u>—</u>
Total assets	<u><u>129,955</u></u>	<u><u>66,595</u></u>
EQUITY		
Share capital	5,401	—
Reserves (Note a)	121,215	62,134
Total equity	<u>126,616</u>	<u>62,134</u>
LIABILITIES		
Current liability		
Other payables	3,339	4,461
Total liabilities	<u>3,339</u>	<u>4,461</u>
Total equity and liabilities	<u><u>129,955</u></u>	<u><u>66,595</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Note (a) Reserve movement of the Company

	Share premium <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	(Accumulated losses)/ retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	—	—	—	—
Loss for the year	—	—	(13,460)	(13,460)
Issuance of shares and completion of the reorganisation for the purpose of the initial public offering	66,594	—	—	66,594
Listing expenses borne by Xinyi Glass	—	9,000	—	9,000
Balance at 31 December 2015 and 1 January 2016	66,594	9,000	(13,460)	62,134
Profit for the year	—	—	23,270	23,270
Listing expenses borne by Xinyi Glass	—	4,487	—	4,487
Issuance of ordinary shares upon capitalisation issue	—	—	(4,851)	(4,851)
Issuance of ordinary shares upon the initial public offering	37,950	—	—	37,950
Share issuance costs	(1,775)	—	—	(1,775)
Balance at 31 December 2016	102,769	13,487	4,959	121,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES

The remuneration of every director and the chief executive officer for the year ended 31 December 2016 is set out below:

Name	Emoluments paid or payable in respect of a person's services as a director/chief executive whether of the Company or its subsidiary undertaking					Total HK\$'000
	Fees HK\$'000	Wages and salaries HK\$'000	Bonus HK\$'000	Share-based compensation HK\$'000	Pension costs-defined contribution scheme HK\$'000	
Executive directors:						
LI Pik Yung	—	437	306	35	18	796
CHAN Chi Leung	—	720	130	11	18	879
Non-executive directors:						
TUNG Ching Sai	—	—	—	—	—	—
LEE Shing Kan	—	—	—	—	—	—
Independent non-executive directors:						
WANG Gui Sheng	60	—	—	—	—	60
NG Wai Hung	60	—	—	—	—	60
CHAN Hak Kan	60	—	—	—	—	60
Chief executive officer:						
SHI Chit Yuk	—	372	2,210	132	18	2,732
	<u>180</u>	<u>1,529</u>	<u>2,646</u>	<u>178</u>	<u>54</u>	<u>4,587</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES (Continued))

The remuneration of every director and the chief executive officer for the year ended 31 December 2015 is set out below:

Name	Emoluments paid or payable in respect of a person's services as a director/chief executive whether of the Company or its subsidiary undertaking					Total HK\$'000
	Fees HK\$'000	Wages and salaries HK\$'000	Bonus HK\$'000	Share-based compensation HK\$'000	Pension costs-defined contribution scheme HK\$'000	
Executive directors:						
LI Pik Yung	—	369	354	39	18	780
CHAN Chi Leung	—	209	20	—	6	235
Non-executive directors:						
TUNG Ching Sai	—	—	—	—	—	—
LEE Shing Kan	—	—	—	—	—	—
Chief executive officer:						
SHI Chit Yuk	—	368	2,831	145	18	3,362
	—	946	3,205	184	42	4,377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES *(Continued)*)

(a) Directors' and senior management's emoluments

The remuneration shown above represents remuneration received from the Group by these directors and the chief executive in their capacity as employees to the Group.

During the year, none of the directors waived the remuneration and there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2015: none).

Mr. WANG Gui Sheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan were appointed as the Company's independent non-executive directors effective on 25 June 2016.

(b) Directors' loans, quasi-loans and other dealings

There are no loans, quasi-loan or other dealings in favour of the directors, their controlled bodies corporate by and connected entities with such directors (2015: Nil).

(c) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in the notes to those consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

28 CONTINGENCIES

The Company and the Group did not have contingent liabilities as at 31 December 2016 (2015: nil).

29 SUBSEQUENT EVENT

On 20 January 2017, Xinyi Power Source (a subsidiary of the Company) as the subscriber (the "Subscriber"), Xinyi Energy Smart (Wuhu) Company Limited as the existing investor of Xinyi Wind Power (Jinzhai) Company Limited (the "Target Company"), entered into an agreement, pursuant to which the Subscriber will make a capital contribution of approximately RMB2,200,000 (equivalent to approximately HK\$2,500,000) by way of cash to the Target Company to subscribe for approximately 18% equity interest in the Target Company on or before 31 May 2017.

FINANCIAL SUMMARY

The following is a summary of the consolidated results and of the assets and liabilities of the Group for the last three financial years as extracted from the published financial statements:

	Year ended 31 December		
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
RESULTS			
Revenue	49,320	45,864	42,505
Cost of revenue	(35,229)	(28,357)	(25,719)
Gross profit	14,091	17,507	16,786
Profit/(Loss) before income tax	1,547	(2,649)	11,932
Income tax expense	(1,484)	(1,894)	(1,999)
Profit/(Loss) for the year attributable to owners of the Company	63	(4,543)	9,933
	As at 31 December		
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Total assets	143,354	78,550	67,085
Total liabilities	(41,018)	(15,745)	(9,107)
Equity attributable to owners of the Company	102,336	62,805	57,978