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China Yu Tian Holdings Limited
中國宇天控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8230

ANNUAL REPORT
2017

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This report, for which the directors of China Yu Tian Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company (the "Directors" and each, a "Director"), 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 or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.

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Corporate Information

Board

Executive Directors
Ms. Wang Xuemei (王雪梅) *(Chairlady)*
Mr. Wang Jindong (王進東) *(Chief Executive Officer)*
Mr. Tang Xiguang (唐夕廣)
Mr. Zhao Haibo (趙海波)

Independent Non-Executive Directors
Mr. Cheng Bo (程波)
Mr. Huang Zhiwei (黃志偉)
Mr. Wang Zhonghua (王中華)

Board Committees

Audit Committee
Mr. Cheng Bo (程波) *(Chairman)*
Mr. Wang Zhonghua (王中華)
Mr. Huang Zhiwei (黃志偉)

Remuneration Committee
Mr. Huang Zhiwei (黃志偉) *(Chairman)*
Mr. Wang Zhonghua (王中華)
Mr. Cheng Bo (程波)

Nomination Committee
Mr. Wang Zhonghua (王中華) *(Chairman)*
Mr. Cheng Bo (程波)
Mr. Huang Zhiwei (黃志偉)

Compliance Officer

Ms. Wang Xuemei (王雪梅)

Joint Company Secretaries

Mr. Tso Ping Cheong, Brian (曹炳昌) *FCPA, FCCA, FCIS, FCS*
Mr. Xu Yibin (許倚濱)

Head Office and Principal Place of Business in Hong Kong

Unit 1908, 19/F
9 Queen's Road Central
Central, Hong Kong

Head Office, Headquarters and Principal Place of Business in PRC

East side of Provincial Highway 328
North side of Yejin Avenue
Hongze County, Huai'an City
Jiangsu Province, PRC

Registered Office

Floor 4, Willow House, Cricket Square
PO Box 2804, Grand Cayman KY1-1112
Cayman Islands

Cayman Islands Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road
North Point, Hong Kong

Principal Bankers

Jiangsu Hongze Rural Commercial Bank
Development Zone Sub-Branch*
(江蘇洪澤農村商業銀行開發區支行)
Shanghai Pudong Development Bank Co., Ltd.
Huai'an Branch*
(上海浦東發展銀行股份有限公司淮安分行)
Postal Savings Bank of China Co., Ltd.
Huai'an Branch*
(中國郵政儲蓄銀行股份有限公司淮安分行)

Auditor

KPMG

Company Website

www.hkgg.hk

Stock Code

8230

Compliance Advisor

Guotai Junan Capital Limited

Authorised Representative

Mr. Wang Jindong (王進東) *(Chief Executive Officer)*
Mr. Tso Ping Cheong, Brian (曹炳昌) *FCPA, FCCA, FCIS, FCS*

* *For identification purpose only*

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of Directors, I am pleased to present the annual report of China Yu Tian Holdings Limited (the "Company") and its subsidiaries (together, "China Yu Tian" or the "Group") for the year ended 31 December 2017.

The year of 2017 is the second whole reporting year since the Group's listing, and a crucial year for the Company's development and transformation. During the year, we have been committed to conducting researches and developments on electronic products, further discovering the commercial value of the industry and proactively exploring investment opportunities in the upstream and downstream of the sector, so as to further diversify the types of product and expand our business scale.

During the year under review, the Group recorded a rapid business growth for its CTP segment, with a jump in revenue of 79%, accounting for 79% of the total revenue of the Group. Although the Group has only five years of development history in China, it has been growing at an extraordinary rate. This shows that the development strategies formulated by the Company were fully in line with market expectations and riding on the development of the industry. Looking ahead, the Group will continue to capitalize its technological strength and exert more efforts on electronic product industry, aiming to accelerate its development.

This year, the domestic real estate market has been and is still curbed by various regulatory policies. The Group will continue to seek development of low-emissivity glass and related production equipment and proactively explore acquisition or investment opportunities that can add value to China Yu Tian, so as to enhance the position of the Group and its value by satisfying the growing demands of the market and bringing new growth momentums to the Group.

Lastly, on behalf of the Board and the management of the Group, I would like to express my sincere gratitude to all our staff for their unremitting efforts in the year and to all shareholders for their full support. I would also like to express my heartfelt thanks to all shareholders, investors, customers, suppliers and business partners for their valuable support.

Wang Xuemei
Chairlady and Executive Director

27 March 2018

Management Discussion and Analysis

Introduction

The Group engaged in the manufacture and sale of industrial coated products as well as design and assembly of coated glass production equipment. Our proprietary coating technologies can be utilized for a wide variety of industrial products, including coated architectural glass, CTP module components and handset accessories. Our business model of offering a wide array of industrial coated products and coated glass production equipment is made possible by our broad range of capabilities. Our extensive industrial coating expertise and understanding of customers' needs allow us not only to continuously refine our production process and coating techniques to develop high-quality coated glass products, but also enable us to upgrade our coated glass manufacturing equipment.

Leveraging our extensive experience and know-how in industrial coating, we commenced commercial production of CTP module components for use in electronic devices in March 2014, and rapid growth has been achieved in 2016 and 2017. In 2017, we also vertically extended our business to purchase other handset accessories from third parties, assembled together with our CTP module components as semi-finished product of electronic devices and sold to our customers. The Company believes that amid the rapid development of global electronic devices such as mobile phones and tablets, our sales of module components and handset accessories will attain constant and fast development.

Business Review

The Board is pleased to present the annual results of the Group for the year ended 31 December 2017, together with the comparative figures for the corresponding year ended 31 December 2016.

Financial Review

Revenue

Our revenue was generated from the sale of our: (i) coated architectural glass; (ii) coated glass production equipment; and (iii) CTP module components and handset accessories.

The following table set forth the breakdown of our Group's revenue by segment and by geographical locations:

By segment:

	2017		2016	
	RMB'000	**%**	RMB'000	%
Sales of coated architectural glass products	**84,455**	**16.1**	101,177	29.7
Sales of coated glass production equipment	**27,405**	**5.2**	9,296	2.7
Sales of CTP module components and handset accessories	**412,567**	**78.7**	230,761	67.6
	524,427	**100.0**	341,234	100.0

By geographical locations:

	2017		2016	
	RMB'000	**%**	RMB'000	%
Mainland China	**227,875**	**43.5**	112,509	33.0
Indonesia	**72**	**0.0**	–	–
Hong Kong	**296,480**	**56.5**	228,725	67.0
	524,427	**100.0**	341,234	100.0

Management Discussion and Analysis

For the year ended 31 December 2017, revenue from coated architectural glass amounted to RMB84.46 million (2016: RMB101.18 million), accounting for 16% of our total revenue (2016: 30%).

Revenue from CTP module components and handset accessories for the year ended 31 December 2017 amounted to RMB412.57 million (2016: RMB230.76 million), representing 79% of our total revenue (2016: 68%). The increase was mainly attributable to the growth of the business in Mainland China and Hong Kong market. It is expected to remain as one of the major sources of revenue in the future.

Revenue from coated glass production equipment amounted to RMB27.41 million (2016: RMB9.30 million), representing 5% of our total revenue (2016: 3%).

Total revenue of the Group grew 54% from RMB341.23 million for the year ended 31 December 2016 to RMB524.43 million for the year ended 31 December 2017, which was mainly attributable to the growth of the revenue generated from sales of CTP module components and handset accessories, which was offset by the slight decrease in revenue generated from the sales of coated architectural glass products.

Gross profit and gross profit margin

Our gross profit increased from RMB91.25 million for the year ended 31 December 2016 to RMB116.81 million for the year ended 31 December 2017. Our gross profit margin decreased from 27% for the year ended 31 December 2016 to 22% for the year ended 31 December 2017 which was mainly attributable to the intense market competition. The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	Year ended 31 December 2017		Year ended 31 December 2016	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Coated architectural glass products	**18,347**	**21.7**	25,973	25.7
Coated glass production equipment	**8,119**	**29.6**	1,957	21.1
CTP module components and handset accessories	**90,339**	**21.9**	63,317	27.4
Total gross profit/gross profit margin	**116,805**	**22.3**	91,247	26.7

The gross profit margin of coated architectural glass products decreased from 26% to 22%, which was mainly attributable to the intense market competition of coated architectural glass and decrease of average selling price of the products.

The decrease of gross profit margin of CTP module components and handset accessories from 27% for the year ended 31 December 2016 to 22% for the year ended 31 December 2017 was mainly due to the combined effect of the Group's introduction of several new customers with a comparatively lower profit margin than the existing customers, as well as the intense market competition of the existing CTP module components and handset accessories.

Other income and expenses

Other income and expenses of the Group changed from a net other income of RMB13.1 million for the year ended 31 December 2016 to a net other expenses of RMB11.64 million for the year ended 31 December 2017, which was mainly attributable to the foreign exchange loss of RMB13.65 million as a result of the depreciation of trade receivable in terms of US Dollars over Renminbi during the year (2016: foreign exchange gain of RMB5.44 million) and the decrease of government grants from RMB7.37 million in 2016 to RMB1.9 million in 2017.

Management Discussion and Analysis

Administrative expenses

The Group's administrative expenses increased by 11% from RMB24.70 million for the year ended 31 December 2016 to RMB27.36 million for the year ended 31 December 2017. Our administrative expenses mainly include research and development cost, professional services expenses, travel and office expenses, and administrative staff cost. The slight increase in administrative expenses was mainly attributable to the increased business scale.

Finance Costs

The Group's finance costs increased by 146% from RMB9.26 million for the year ended 31 December 2016 to RMB22.77 million for the year ended 31 December 2017, which was mainly attributable to the issue of notes payable in 2017.

Income Tax Expenses

The Group's income tax expenses increased by 13% from RMB12.51 million for the year ended 31 December 2016 to RMB14.18 million for the year ended 31 December 2017, which was due to that the income tax is higher than last year as the revenue of the subsidiary in Jiangsu Province has increased.

Profit for the year

Profit for the year ended 31 December 2017 attributable to the shareholders of the Company amounted to RMB38.12 million, approximately 32% less than RMB55.95 million recorded in the same period in 2016.

Net cash flow from operating activities

Our net cash flow from operating activities was a positive RMB37.19 million for the year ended 31 December 2017 (2016: negative RMB14.84 million), which was mainly attributable to the combined effect of (i) profit before taxation of RMB52.30 million; (ii) depreciation of RMB18.70 million; (iii) finance cost of RMB22.77 million; (iv) increase in inventories of RMB77.09 million, which the Group increases its stock in line with the increase of sales; (v)decrease in trade and other receivables of RMB58.16 million; and (vi) decrease in trade and other payables of RMB26.57 million.

Net cash flow used in investing activities

Our net cash used in investing activities was RMB44.7 million for the year ended 31 December 2017 (2016: RMB118.56 million), which was mainly attributable to the construction of plant and building during the year.

Net cash flow from financing activities

Our net cash flow from financing activities was RMB2.7 million for the year ended 31 December 2017 (2016: RMB125.98 million), which was mainly attributable to the net effect of proceeds and repayment of loans and borrowings and notes payable during the year.

Human resources and remuneration policies

As at 31 December 2017, the Group employed a total of 260 full-time employees (2016: 267). For the year ended 31 December 2017, the Group's staff costs, including the Directors' remuneration, amounted to approximately RMB14.88 million (2016: RMB13.43 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to basic salary, the Group also offers bonus to staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, the Group may also grant share options to eligible employees by reference to its performance and individual contribution.

Liquidity, financial resources and capital structure

The Group's credit risk is primarily attributable to trade receivables and bank balances. In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors considered that the credit risk on trade debts of the Group is significantly reduced.

On 13 October 2016, the Company and Ms. Wang Xuemei (the "Guarantor") entered into a subscription agreement with Chance Talent Management Limited (the "Original Noteholder"), pursuant to which the Company agreed to issue and the Original Noteholder agreed to subscribe for HK$115,000,000, 10% senior guaranteed secured notes due 2018. The net proceeds of the notes issued, after deducting fees, commissions and expenses, were approximately HK$114,000,000. The Company will use the net proceeds as the general working capital of the Group and to finance any potential investment opportunities of the Group that may arise from time to time. For more details, please refer to the announcement of the Company dated 13 October 2016.

During the year ended 31 December 2017, the Company issued notes of HK$31,000,000 to individual investors through a third-party capital management service company. These notes are unsecured and repayable from 2018 to 2025 and bear fixed interest rates ranged from 6.5% to 7% per annum.

As at 31 December 2017, the Group's current ratio was 1.39, compared to 1.66 as at 31 December 2016, which remain healthy in 2016 and 2017, the Group's cash and cash equivalent totalled RMB63.20 million (2016: RMB74.32 million).

During the year ended 31 December 2017, the Group's loans and borrowings amounted to RMB76.00 million (2016: RMB78.00 million) and notes payable amounted to RMB142.00 million (2016: RMB128.27 million). The Group did not experience any withdrawal of facilities, default in payment of trade and other payables, notes payable, loans and borrowings or breach of financial covenants. The Group's financial position remained solid and we have sufficient bank balances to meet our liabilities when they become due.

Amounts due from associates/related companies/shareholders ("Shareholders", and each, a "Shareholder") of the Company are continuously monitored by assessing the credit quality of the counterparty, taking into account their financial position, past experience and other factors. When necessary, impairment loss is made for estimated irrecoverable amounts. The credit risk on bank balances is limited as most of the bank balances are at banks with high credit ratings assigned by international credit ratings agencies.

On 29 December 2015, our shares were listed successfully on GEM. Since then, the Group's capital structure mainly consists of ordinary shares, loans and borrowings with the addition of notes payable issued in 2016.

Treasury Policies

The primary objective of the Group's capital management is to maintain the ability to continue as a going concern so that the Group can continue to provide returns for shareholders of the Company and benefits for other stakeholders by proper product pricing and securing access to financing at a reasonable cost. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into consideration changes in economic conditions, its future capital requirements, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group closely monitors its debt/assets ratio, which is defined as total borrowings divided by total assets.

Management Discussion and Analysis

Significant investments

The Group did not acquire or hold any significant investment during the year ended 31 December 2017 (2016: Nil).

Material acquisition/disposal

The Group did not acquire/dispose any subsidiary or affiliated company during the year ended 31 December 2017 (2016: Nil).

Future Plans for Material Investments and Capital Assets

Save as disclosed above, the Group did not have any plans for material investments or capital assets as at the date of this annual report.

Risk of/Foreign exchange exposure

Most of the Group's cash balances and transactions are either denominated in Renminbi or Hong Kong Dollars, i.e. functional currencies of relevant Group entities. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 December 2017 and 2016, the Group did not have any outstanding hedge instruments.

Principal Risks and Uncertainties Facing the Company

The following lists out the principal risks and uncertainties facing the Company in achieving business objectives and the Group's approach to tackle them:

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

Pledge of assets

During the year ended 31 December 2017, no bank deposits (2016: RMB3 million), property, plant and equipment of RMB137.31 million (2016: RMB32.06 million), and lease payment of RMB25.28 million (2016: RMB38.07 million) were pledged as security for bank and other loans and bill payable.

Comparison of business objectives with actual business progress

Please refer to use of proceeds from the Company's initial public offering on page 26 of this report.

Save as disclosed in this report, there are no significant events subsequent to 31 December 2017 which would materially affect the Group's operating and financial performance as of the date of the financial statements.

Management Discussion and Analysis

Use of proceeds from the Company's initial public offering

For details, please refer to page 26 of the Directors' Report in this report.

Outlook and prospects

For details, please refer to page 27 of the Directors' Report in this report.

Contingent liabilities

A subsidiary of the Company was a defendant in a lawsuit filed in April 2015 in relation to a contract dispute. The plaintiff, who supplied equipment for the subsidiary's production of CTP module components and handset accessories, filed a lawsuit to request the subsidiary to make certain payments of RMB1.3 million under a purchase contract entered into between the plaintiff and the subsidiary, and claimed losses with accrued interest of approximately RMB0.2 million. The subsidiary filed a counterclaim against the plaintiff on the ground that the final product delivered by the plaintiff failed to meet the operating standard as agreed in the purchase contract. The subsidiary lost the lawsuit at the trial court and appealed to the court of appeal. The court of appeal revoked the decision of the trial court and remanded the lawsuit to the trial court. As at 31 December 2017, the Group has accrued the amount payable in accordance with purchase contract. Up to the date of issue of these financial statements, the case was under first trial. The Directors, based on the advice from its legal counsel, do not believe it is probable that the court will find against them and accordingly, no provision has been made in respect of this claim.

Capital commitments

As at 31 December 2017, the Group has no capital commitments in respect of plant, property and equipment outstanding (2016: amount contracted for amounted to RMB0.87 million and amount authorised but not contracted for amounted to RMB40 million).

Operating lease commitments

As at 31 December 2017, the Group has several operating lease commitment in respect of motor vehicle outstanding, the total future minimum lease payment amounted to RMB2.87 million (2016: RMB0.14 million).

Gearing Ratio

As at 31 December 2017, the Group has gearing ratio (total notes payable, loans and borrowings/total equity) of 56.2% compared to that of 59.9% as at 31 December 2016.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

Mr. Wang Jindong
Chief Executive Officer and Executive Director

Hong Kong, 27 March 2018

Director and Senior Management

EXECUTIVE DIRECTORS

Ms. Wang Xuemei (王雪梅), aged 49, is the Chairlady and executive Director of the Company. She is the founder of our Group and has participated in the management of our Group since she was appointed as the supervisor of Jiangsu Yutian in March 2011. She is also the director of Kaifa Global and HK Yutian. She is responsible for the corporate strategic planning and overall business development of our Group. She has approximately 25 years of experience in the glass industry. Ms. Wang is the director of Sky Prosper Global Limited and Fu Hong Global Limited, where Sky Prosper Global Limited and Fu Hong Global Limited both have an interest in shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO. Ms. Wang worked for Nanjing Yaopi from December 2004 to February 2011 as the vice general manager and was responsible for the overall management and corporate planning. Ms. Wang also worked in Jurong City Yuanfang Glass Business Division (句容市遠方玻璃經營部) from April 1990 to June 2004 as the financial director and was responsible for the financial matters.

Ms. Wang received her secondary school education in the PRC from September 1980 to June 1983. Ms. Wang is the spouse of Mr. Wang, an executive Director and the chief executive officer of the Company.

Mr. Wang Jindong (王進東), aged 49, is an executive Director and the chief executive officer of the Company. He was appointed as executive director and the general manager of Jiangsu Yutian in March 2011. He is also the director of Kaifa Global and HK Yutian. He is responsible for overseeing the overall day-to-day operation and business management of our Group and implementing the Board's decision. He has approximately 25 years of experience in the glass industry. Mr. Wang is the director of Sky Prosper Global Limited and Fu Hong Global Limited, where Sky Prosper Global Limited and Fu Hong Global Limited both have an interest in shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO. He was the chairman of Nanjing Yaopi from December 2004 to February 2011 and was responsible for setting the corporate strategy and monitoring its implementation of the company. He was also the general manager of Nanjing Shunji from February 2003 to April 2015 and was responsible for the business operation of the company. Mr. Wang also worked in Jurong City Yuanfang Glass Business Division* (句容市遠方玻璃經營部) from April 1990 to June 2004 as the general manager and was responsible for general management. Mr. Wang received his secondary school education in the PRC until July 1987 and also obtained a postgraduate qualification in business administration from Nanjing Normal University (南京師範大學) in September 2009. Mr. Wang was appointed as a deputy to the 7th session of the City People's Congress of Huai'an City (淮安市第七屆人民代表大會代表) in March 2012. He was also awarded with the honorary title of "Excellent Entrepreneur" (優秀企業家) by the Hongze County Committee of the Communist Party of China (中共洪澤縣委員會) and Hongze County People's Government (洪澤縣人民政府) in February 2013.

Mr. Zhao Haibo (趙海波), aged 35, is an executive Director. He joined our Group in March 2011 as the procurement director of Jiangsu Yutian and was responsible for procurement. He has approximately 10 years of experience in the glass industry. Mr. Zhao worked for Nanjing Yaopi from February 2005 to February 2011 as the deputy general manager and was responsible for procurement. He worked in Jinan Huaya Machinery Co., Ltd.* (濟南華亞機械有限公司) from January 2003 to November 2004 and was responsible for sales management. Mr. Zhao received his secondary school education in the PRC until June 2000.

Mr. Tang Xiguang (唐夕廣), aged 55, is an executive Director. He joined our Group in March 2011 as the financial controller. He has approximately 10 years of experience in the glass industry. He worked for Nanjing Yaopi from December 2004 to February 2011 as the financial controller and was responsible for accounting and financial planning and management of the company. He also worked in Nanjing Dadi Construction Group Company Limited* (南京大地建設集團有限責任公司) from July 1978 to August 2004 and was responsible for financial matters. Mr. Tang obtained a graduation certificate for the completion of professional examination in economics management from Nanjing University (南京大學) in December 1991.

Director and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Huang Zhiwei (黃志偉), aged 67, was appointed as an independent non-executive Director on 13 November 2013. Mr. Huang worked as the president and chief executive of Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司) from January 2007 to July 2013. He served as the chief executive of Shanghai branch of Bank of China (中國銀行上海市分行) from July 2003 to January 2007, the chief executive assistant, deputy chief executive and chief executive of the Jiangsu branch of Bank of China (中國銀行江蘇省分行) from October 1991 to July 2003, the deputy chief executive of the Suzhou branch of Bank of China (中國銀行蘇州分行) from February 1985 to October 1991, the deputy manager and deputy department chief of the Wujiang County Township Industry Department* (吳江縣鄉鎮工業局) from August 1978 to February 1985 and salesperson of Wujiang County Handicraft Department and Second Industry Department* (吳江縣手工局、二工局) from October 1965 to August 1978. He obtained a postgraduate qualification in international finance from Nanjing University (南京大學) in the PRC in June 2000. He was recognized as a People of the China Banking Industry in 2009* (2009 中國銀行業年度人物) by the Committee of the China Finance Experts Annual Forum* (中國金融(專家)年會組織委員會) in April 2010 and Model Worker* (勞動模範) by the People's Government of Jiangsu in April 2011. He obtained the senior economist qualification in December 2008 granted by Jiangsu Department of Personnel (江蘇省人事廳).

Mr. Wang Zhonghua (王中華), aged 59, was appointed as an independent non-executive Director on 15 December 2015. Mr. Wang has served as the general manager of Zhongshi Yingying (Beijing) Advertising Company Limited* (中視熒影(北京)廣告有限公司) since October 2007, the general manager of Nanjing Jiangying Economic Information Advertising Company Limited* (南京江影經濟信息廣告公司) from December 2003 to September 2007. He also worked in Jiangsu Broadcasting Corporation* (江蘇電視台) from April 1983 to November 2003 and worked for a number of positions, including journalist of news department, team leader of village journalist team, deputy station director and station director of Yancheng City, director of the office in Yancheng City and deputy director of advertising and economic information center.

He graduated from Yancheng Teachers College* (鹽城師範專科學校) in January 1981.

Mr. Cheng Bo (程波), aged 44, was appointed as an independent non-executive Director on 15 December 2015. Mr. Cheng has served as the director and financial controller of China Germanium Co., Ltd.* (南京中鍺科技股份有限公司) (a wholly-owned subsidiary of Susino Umbrella Co., Ltd.* (梅花傘業股份有限公司), currently known as Youzu Interactive Co., Ltd. (遊族網絡股份有限公司) (Shenzhen Stock Exchange stock code: 002174) since May 2011. Mr. Cheng served as the deputy general manager of Jiangsu Province East Century Network Information Company Limited* (江蘇省東方世紀網絡有限公司) from March 2008 to April 2011, the finance manager of Nanjing Xinwang Shixun Communication Technology Co., Ltd.* (南京欣網視訊科技股份有限公司) (currently known as Henan Dayou Energy Co., Ltd* (河南大有能源股份有限公司) (Shanghai Stock Exchange stock code: 600403) from April 2004 to February 2008, the assistant of the general manager of Nanjing Zhongda Film (Group) Co., Ltd.* (南京中達製膜(集團)股份有限公司) (currently known as Jiangsu Protruly Technology Group Co., Ltd (江蘇保千里視像科技集團股份有限公司) (Shanghai Stock Exchange stock code: 600074) from March 2001 to August 2002, the head of the finance department of China Sinopec Group Nanjing Chemical Industrial Company Limited* (中國石化集團南京化學工業有限公司) from August 1994 to October 1999.

Mr. Cheng obtained a master's degree in accounting from Nanjing University (南京大學) in December 2009. He is also a member of the Chinese Institute of Certified Public Accountants.

Director and Senior Management

Senior Management

Mr. Tso Ping Cheong, Brian (曹炳昌) ("Mr. Tso"), aged 38, joined our Group in January 2014 as our company secretary.

Mr. Tso is currently a director of a corporate services company and the sole proprietor of an accounting firm. Mr. Tso has over 14 years of accounting and financial experience. Mr. Tso was admitted as a member of the Hong Kong Institute of Certified Public Accountants in September 2008, a fellow of the Hong Kong Institute of Certified Public Accountants in October 2015, a fellow of the Association of Chartered Certified Accountants in October 2011, an associate of The Hong Kong Institute of Chartered Secretaries in January 2014, a fellow of The Hong Kong Institute of Chartered Secretaries in November 2015, an associate of The Institute of Chartered Secretaries and Administrators in January 2014 and a fellow of The Institute of Chartered Secretaries and Administrators in November 2015.

Mr. Tso obtained his bachelor's degree in accountancy in November 2003 and master's degree in corporate governance in October 2013 from the Hong Kong Polytechnic University.

Mr. Xu Yibin (許倚濱), aged 32, is the joint company secretary of our Group. He joined our Group in August 2013. He has approximately 7 years of experience in investment management. He worked for Hongze Infinity Entrepreneur Investment Centre (limited partnership)* (洪澤英飛尼迪創業投資中心(有限合夥)) from October 2011 to August 2013 as an investment manager and investment supervisor. He worked for the equity investment department of Jiangsu Winfast Holding Group Company Limited* (江蘇瑞華投資控股集團有限公司) from January 2011 to September 2011. He worked for Bank of Communications* (交通銀行) from September 2007 to May 2010 as an officer. Mr. Xu obtained a postgraduate qualification in economics from Nanjing University (南京大學) in July 2011 and a bachelor's degree in e-commerce from Zhejiang Gongshang University (浙江工商大學) in July 2007.

Corporate Governance Report

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the assets of the Group.

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

The Board has reviewed the Group's corporate governance practices and is satisfied that since the Listing Date, the Company had complied with all the CG Code of the GEM Listing Rules.

Directors' Securities Transactions

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code since the Listing Date and up to 31 December 2017.

The Board

During the year, the Board comprised the following Directors:

Executive Directors
Mr. Wang Jindong
Ms. Wang Xuemei *(Chairlady)*
Mr. Tang Xiguang
Mr. Zhao Haibo

Independent Non-Executive Directors
Mr. Cheng Bo
Mr. Huang Zhiwei
Mr. Wang Zhonghua

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs and overseeing the achievement of strategic plans to enhance Shareholders' value.

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall strategies and review of its financial performance and results and the risk management and internal control systems;
- policies relating to key business and financial objectives of the Company;
- material transactions, including acquisition, investment, disposal of assets or capital expenditure;
- appointment, removal or reappointment of Board members and auditors;
- communication with key stakeholders, including Shareholders and regulatory bodies; and
- recommendation to Shareholders on final dividend and the declaration of any interim dividends.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor and disclose with reasonable accuracy the financial position of the Group. The Board updates Shareholders on the operations and financial position of the Group through quarterly, interim and annual results announcements as well as the publication of timely reports and announcements of other matters as prescribed by the relevant laws, rules and regulations.

Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company.

All Directors, including independent non-executive Directors assume the responsibilities to the Shareholders for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The independent non-executive Directors advise the Company on strategic and critical matters. The Board considers that each independent non-executive Director brings his own senior level of experience and expertise to the constructive functioning of the Board. To this end, regular informal meetings are held between the executive Directors and independent non-executive Directors. The Chairman held meetings with the independent non-executive Directors at least annually without presence of the executive Directors to evaluate the functioning of the Board.

Each of the Directors has entered into a service contract or has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the articles of association of the Company (the "Articles of Association") with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

The executive Directors of the Company are delegated with responsibility to oversee and monitor the operation of specific business areas and to implement the strategies and policies set by the Board.

Independence of Independent Non-Executive Directors

Each of the independent non-executive Director has made written annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. Upon review, the Board concluded that all the independent non-executive Directors are independent within the meaning of the GEM Listing Rules.

Corporate Governance Report

Chairman (Chairlady) and Chief Executive

Code Provision A.2.1 of the CG Code provides that the roles of Chairman (Chairlady) and chief executive should be separate and should not be performed by the same individual.

Ms. Wang Xuemei is the Chairlady of the Board and Mr. Wang Jindong is the chief executive officer of the Company. As disclosed, Mr. Wang is the spouse of Ms. Wang. Despite their relationship, the divisions of responsibilities between the Chairman of the Board and the chief executive officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

Ms. Wang Xuemei, being the Chairlady, is responsible for providing leadership to the Board and ensuring that the Board functions effectively; that Directors receive in timely manner adequate information which is complete and reliable and that all Directors are properly briefed on issues arising at Board meetings. The Chairlady also encourages Directors to participate actively in and to make a full contribution to the Board so that the Board acts in the best interest of the Company.

Mr. Wang Jindong, being the chief executive officer, is responsible for the daily operations of the Company, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of Company.

As at 31 December 2017, save as disclosed above, none of the Board members has any financial, business, family or other material/relevant relationships with each other.

The Board Committees

Remuneration Committee (the "RC")

The RC reviews and approves the remuneration of Directors with reference to the Board's corporate goal and objectives, evaluates the performance and make recommendations on the remuneration package of Directors and senior management, as well as the retirement scheme and the performance assessment system and bonus and commission policies of the Company. The authority and duties of the RC are clearly sets out in its terms of reference. To minimise any conflict of interest, any member who is interested in any given proposed motion is required to abstain from voting on such motion. The RC was set up on 15 December 2015 with written terms of references to oversee the remuneration policy and structure for all Directors and senior management. The RC is formed by all independent non-executive Directors and chaired by an independent non-executive Director. The RC had one meeting during the year ended 31 December 2017 with individual attendance as follows:

Independent Non-Executive Directors

	Attendance/ Number of meeting(s) held
Mr. Cheng Bo	1/1
Mr. Huang Zhiwei *(Chairman of RC)*	1/1
Mr. Wang Zhonghua	1/1

Corporate Governance Report

Pursuant to Code Provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out below:

Remuneration band	Number of Individual
Nil to RMB1,000,000	9

Nomination Committee (the "NC")

The NC was set up on 15 December 2015 with written terms of reference to review the structure, size and composition (including but not limited to the gender, skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The duties of the NC also include submitting proposals to the Board on the appointment of the chief executive officer, reviewing the independence of the independent non-executive Directors and submitting proposals to the Board. The authority and duties of the NC are clearly sets out in its terms of reference. The NC comprises all independent non-executive Directors and chaired by an independent non-executive Director. The NC had one meeting during the year ended 31 December 2017 with individual attendance as follows:

Independent Non-Executive Directors

	Attendance/ Number of meeting(s) held
Mr. Cheng Bo	1/1
Mr. Huang Zhiwei	1/1
Mr. Wang Zhonghua *(Chairman of NC)*	1/1

Audit Committee (the "AC")

The AC was set up on 15 December 2015 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The written terms of reference of our AC were adopted in compliance with paragraphs C3.3 and C3.7 of the CG Code. The primary duties of the AC are, among other things, to make recommendations to our Board on the appointment, reappointment and removal of external auditor, review the financial information, oversee our financial reporting process, risk management and internal control procedures, risk management systems and audit process and perform other duties and responsibilities assigned by our Board. The authority and duties of the AC are clearly sets out in its terms of reference. The AC comprises all independent non-executive Directors and chaired by an independent non-executive Director. The AC had four meetings during the year ended 31 December 2017 with individual attendance as follows:

Independent Non-Executive Directors

	Attendance/ Number of meeting(s) held
Mr. Cheng Bo *(Chairman of AC)*	4/4
Mr. Huang Zhiwei	2/4
Mr. Wang Zhonghua	4/4

Mr. Cheng Bo, who obtained a master's degree in accounting, is also a member of the Chinese Institute of Certified Public Accountant, possess extensive experience in finance and accounting.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board. The Board diversity policy (the "Policy") adopted aims to set out the approach to achieve diversity on the Board. A summary of the Policy is set out below:

Measurable Objectives and Implementation

The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

For the purpose of implementation of the Policy, the following measurable objectives were adopted:

(A) at least 1/3 member of the Board shall be independent non-executive Directors;

(B) at least 1 member of the Board shall have obtained accounting or relevant financial management professional qualifications; and

(C) at least 50% of the members of the Board shall have China related work experience.

Monitoring and Reporting

The NC will report annually, in this annual report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

Review of this Policy

The NC will review this Policy, as appropriate, to ensure the effectiveness of the Policy. The NC will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Corporate Governance Report

Board Composition and Board and Committee Meetings

Practices and Conduct of Meetings

Provision A.1.1 of the CG Code prescribes that at least 4 regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of Directors, either in person or through other electronic means of communication. Since the listing of the Company on GEM on 29 December 2015, the Board adopted the practice of holding at least four regular meetings in a year. Other Board meetings will be held if necessary.

Composition

As at 31 December 2017, the Board comprises four executive Directors, and three independent non-executive Directors. The Company has met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise throughout the year.

Biographical details of the Directors are shown on pages 11 to 13 and set out on the websites of the Company. The list of Directors and their role and function was published both on the websites of the Company and the Stock Exchange. The Board is currently supported by the AC, RC and NC to oversee specific areas of the Company's affairs. Each of these Committees has been established with written terms of reference, which were approved by the Board, setting out the Committee's major duties and responsibilities. These terms of reference were published both on the websites of the Company and the Stock Exchange.

Meetings Held and Attendance

The composition of the Board and the Committees, and the individual attendance records of each Director at the Board and Committees' meetings during the year are set out below:

	Meetings attended/Meetings held					
Name of Directors	**Board meetings**	**AC meetings**	**RC meetings**	**NC meetings**	**Annual general meetings**	**Extraordinary general meetings**
Executive Directors						
Mr. Wang Jindong	4/4	N/A	N/A	N/A	1/1	N/A
Ms. Wang Xuemei	4/4	N/A	N/A	N/A	1/1	N/A
Mr. Tang Xiguang	4/4	N/A	N/A	N/A	1/1	N/A
Mr. Zhao Haibo	4/4	N/A	N/A	N/A	1/1	N/A
Independent Non-Executive Directors						
Mr. Cheng Bo	4/4	4/4	1/1	1/1	1/1	N/A
Mr. Huang Zhiwei	3/4	2/4	1/1	1/1	1/1	N/A
Mr. Wang Zhonghua	4/4	4/4	1/1	1/1	1/1	N/A

Induction and Continuous Development

Each newly appointed Director receives a comprehensive induction package (the "Package") designed to enhance his/her knowledge and understanding of the Group's culture and operations. The Package usually includes a briefing or an introduction to the Group's structure, businesses strategies, recent developments and governance practices.

Pursuant to the code provision A.6.5 of the CG Code, in order to keep Directors remain informed and refresh their relevant knowledge and skills (note 1), the Company has funded suitable trainings and encouraged Directors to participate in continuous professional developments. The Directors have confirmed that they have received the training as follows:

Name of Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums	Receiving briefings from Company Secretary and/or other executives
Mr. Wang Jindong	✔	✔	✔
Ms. Wang Xuemei	✔	✔	✔
Mr. Tang Xiguang	✔	✔	✔
Mr. Zhao Haibo	✔	✔	✔
Mr. Cheng Bo	✔	✔	✔
Mr. Huang Zhiwei	✔	✔	✔
Mr. Wang Zhonghua	✔	✔	✔

Note 1: Training set out above refers to training relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or Directors' duties and responsibilities.

The Directors acknowledge the need for continuous professional development so that they can continue contributing to the Company, and the Company provides support whenever relevant and necessary.

Accountability and Audit

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual, half-yearly and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

The above statements, which should be read in conjunction with the independent auditor's report, are made with a view to distinguishing for Shareholders how the responsibilities of the Directors differ from those of the auditor in relation to the financial statements.

Corporate Governance Report

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year, the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are reasonable in accordance with applicable accounting standards.

The quarterly, interim and annual results and reports were published within the time limits as required under the GEM Listing Rules after the end of the relevant periods to provide stakeholders with transparent and timely financial information.

Auditor's Remuneration

During the year, the remuneration, reviewed and approved by the AC on the audit and non-audit scope, paid or payable to the auditor in respect of audit and non-audit services provided by the auditor of the Group, KPMG, were as follows:

Nature of services	2017 Amount RMB'000
Audit services	2,100

Note 1: The amount of fees charged by the Auditor generally depends on the scope and volume of the Auditor's work.

Corporate Governance Function

The written terms of reference of the corporate governance functions was adopted by the Company on 29 December 2015 and the Board is collectively responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- to review and monitor the training and continuous professional development of Directors and senior managements;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in corporate governance reports; and
- such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

Corporate Governance Report

Risk Management and Internal Control

The Company had established procedures to identify, assess and manage major risks of the Group. The Board has overall responsibilities for establishing and maintaining an effective risk management and internal control systems of the Group and reviewing their effectiveness. However, such procedures were designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management is responsible for implementing the procedures approved by the Board and to monitor compliance with the procedures. The AC reviews the risk areas and assesses the feasibility and effectiveness of the procedures periodically. Also, the company performed an internal audit to assess the effectiveness of the Group's risk management and internal control systems which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the year ended 31 December 2017. The internal control report was reviewed by the AC and the Board. No major issue was raised for improvement. For the year ended 31 December 2017, the Board considered that the risk management and internal control system of the Company are adequate and effective and the Company has complied with the code provisions on internal control and risk management of the CG Code.

Beside, the Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. The Company keeps Directors and employees appraised of the latest regulatory updates to ensure the compliance with regulatory requirements.

Company Secretary

The appointment and removal of the company secretary (the "Company Secretary") is subject to approval by the Board in accordance with the Articles of Association. The Company Secretary is responsible for ensuring the Board procedures and policy are followed and Board activities are effectively conducted. The Company Secretary is also responsible for maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. Draft and final versions of minutes are disseminated to Directors for comment and filed for record purposes respectively within a reasonable time after each meeting. The Directors have full and timely access to the minutes of the Board and committees of the Company. The joint Company Secretary, Mr. Tso Ping Cheong, confirmed that he has complied with all the qualifications, experience, and professional training requirements of the GEM Listing Rules.

Corporate Governance Report

Shareholders' Rights

The general meetings of the Company provided an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to Convene EGMs and Procedures

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. Any one or more member(s) holding at the date of the deposit of the requisition not less than one tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal place of business as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Such requisition shall be made in writing to the Board or the joint Company Secretary of the Company at the following:

Principal place of business of the Company in the PRC

Address: East side of Provincial Highway 328
North side of Yejin Avenue
Hongze County, Huai'an City
Jiangsu Province, PRC

Email: brian@hkgg.hk

Attention: Joint Company Secretary

Registered office of the Company

Address: Floor 4, Willow House, Cricket Square
PO Box 2804, Grand Cayman KY1-1112
Cayman Islands

Attention: Joint Company Secretary

If within 21 days of such deposit, the Board fails to proceed duly to convene such EGM, 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 them by the Company.

For matters in relation to the Board, the Shareholders can contact the Company at the following:

by post to principal place of business of the Company in Hong Kong: Address: Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong; or

by email to brian@hkgg.hk.

If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s) may convene a meeting 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 by the Company to the requisitionist(s).

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All such enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the joint Company Secretary.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Right to Put forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemental from time to time. However, pursuant to the Company's Articles of Association, Shareholders who wish to move a resolution may by means of requisitions convene an EGM following the procedures set out above.

Constitutional Documents

During the year ended 31 December 2017, there had been no significant change in the Company's constitutional documents. The Articles of Association of the Company are available on the websites of the Stock Exchange and the Company.

Investor Relations

The Board recognises the importance of maintaining on-going communication with the Shareholders. The Company promotes communications with the Shareholders through several communication channels including publication of notices, circulars and announcements of key developments, and interim and annual reports as prescribed under the GEM Listing Rules which can also be accessed via the "Investor Relations" of the Company's website.

The aims of the Company are to improve its transparency, gain more understanding and confidence in relation to the Group's business developments and acquire more market recognition and support from the Shareholders.

The Shareholders are encouraged to attend all general meetings of the Company. The notices of the special general meetings and annual general meeting of the Company were circulated to all the Shareholders in accordance with the requirements of the GEM Listing Rules and the Articles of Association. It is a standard practice to have the non-executive Directors available to answer questions relating to their roles, tenure, and the committees of the Board. The results of voting by poll are published on the websites of the Stock Exchange and the Company after the meetings.

Any comments and suggestions to the Board can be addressed to our Hong Kong office or the Company Secretary by mail to Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong or email at hkgg@hkgg.hk.

Directors' Report

For the year ended 31 December 2017

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2017.

Principal place of business

The Company is a limited company incorporated in the Cayman Islands and has its registered office and principal place of business at Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong.

Principal activities and business review

The principal activities of the Group are the manufacturing and sale of industrial coated products as well as design and assembly of coated glass production equipment. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 5 to 10 of this Annual Report. This discussion forms part of this Directors' report.

Major customers and suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	29.3%	
Five largest customers in aggregate	64.4%	
The largest supplier		11.3%
Five largest suppliers in aggregate		49.4%

At no time during the year have the Directors, their respective close associates or any Shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

Segment Information

An analysis of the Group's performance for the year by operating segment is set out in note 3(b) to the financial statements.

Recommended dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

Use of proceeds from the Company's initial public offering

Based on the placing price of HK$0.54 per share, the net proceeds from the listing on 29 December 2015, after deducting related expenses, amounted to approximately HK$104,597,000 (approximately RMB87,563,000). In accordance with the future development plan of the Group and the use of proceeds as set out in the prospectus, the Group planned to allocate its net proceeds as follows:

Use	Approximate percentage of total net proceeds
Build a new factory building	46%
Complete a new on-cell CTP production line	23%
Enhance the research and development capability and expand the marketing coverage	17.2%
Working capital	13.8%

During the year ended 31 December 2017, the Group has applied the net proceeds as follows:

Use	Actual usage up to 31 December 2017 RMB'000
– Building a new factory building	40,280
– Assembly of new on-cell CTP production line	20,140
– Enhance the research and development capability and expand the marketing coverage	15,060
– Working capital and others	12,080

As at 31 December 2017, the proceeds intended for the building of a new factory building, assembly of new on-cell CTP production line enhance the research and development capability and expand the marketing coverage and working capital have been fully utilized. It is expected that the Company will utilize its internal resources and/or proceeds from other borrowing or fund raising activities to satisfy any further funding need(s) for the building of the new factory building, assembly of new on-cell CTP production line enhance the research and development capability and expand the marketing coverage and working capital.

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

All the unutilised balances have been placed in licensed banks in the PRC and Hong Kong.

Gearing Ratio

As at 31 December 2017, the Group has gearing ratio (total notes payable, loans and borrowings/total equity) of 56.2% compared to that of 59.9% as at 31 December 2016.

Directors' Report

For the year ended 31 December 2017

Outlook and prospectus

The Group was listed on GEM of the Stock Exchange on 29 December 2015 (the "Listing Date") and the fund raised from the listing laid a solid foundation for the future development of the Group.

In light of the softening of policies on the real estate market of Mainland China, it is generally expected that the real estate market will pick up. Moreover, the government set higher requirements for environmental protection in the "Thirteenth Five-Year" plan. We believe these will significantly boost the sales of coated glass products and related production equipment of the Company. With the continuous development of electronic technology, China has become the largest production base and market of electronic products in the world, and we believe this will continue to stimulate the demand for electronic CTP module components and handset accessories of the Company in an effective manner.

Furthermore, in view of the new development opportunities emerged in the electronic product market, the Group will actively seek acquisition or investment opportunities that can add value to China Yu Tian so as to enhance the position of the Group and its underlying value by satisfying the growing demand of the market. With China Yu Tian's extensive experience in the field of coating and based on the analysis of its data, it is believed that the Group's strategic plan will seize related opportunities and bring new growth drivers to the development of the Group.

Charitable donations

The Group did not make any charitable donations during the year (2016: Nil).

Summary financial information

A summary of the published result and assets, liabilities of the Group for the last three financial years, as extracted from the audited financial statements, is set out on page 110. This summary does not form part of the audited financial statements.

Share capital and share options

Details of the movements in share capital of the Company during the year are set out in note 23 to the financial statements. Details about the issue of shares are also set out in note 23 to the financial statements.

Purchase, sale or redemption of Company's listed securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the company's Articles of Associations or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Directors' Report

For the year ended 31 December 2017

Directors

The Directors during the financial year were:

Executive Directors

Ms. Wang Xuemei *(Chairlady)*
Mr. Wang Jindong
Mr. Zhao Haibo
Mr. Tang Xiguang

Independent Non-Executive Directors

Mr. Huang Zhiwei
Mr. Wang Zhonghua
Mr. Cheng Bo

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date and shall continue thereafter until terminated by, not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date, subject to retirement by rotation and re-election at annual general meeting and until terminated by not less than three months' notice in writing served by either party on the other.

Pursuant to Article 112 of the Articles of Association of the Company, Ms. Wang Xuemei, and Mr. Wang Jindong will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31 December 2017, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as follows:

(i) Long positions in shares of the Company

Name	Nature of interest	Total Number of shares held	Percentage of shareholding
Ms. Wang Xuemei (Chairlady)	Interest in controlled corporation (Note 1)	450,000,000	55.56%
Mr. Wang Jindong	Interest of spouse (Note 2)	450,000,000	55.56%

Notes:

1 Sky Prosper Global Limited is held as to 80% by Ms. Wang Xuemei and 20% by Fu Hong Global Limited (富鴻環球有限公司) (which in turn is held as to 100% by Ms. Wang Xuemei).

2 Mr. Wang Jindong is the spouse of Ms. Wang Xuemei. Under the SFO, Mr. Wang Jindong is deemed to be interested in all the shares in which Ms. Wang Xuemei is interested in. Ms. Wang Xuemei is the spouse of Mr. Wang Jindong. Under the SFO, Ms. Wang Xuemei is deemed to be interested in all the shares in which Mr. Wang Jindong is interested in.

(ii) Associated corporation – Sky Prosper Global Limited

Name of Director	Nature of Interest	Number and class of securities in the Associated Corporation	Approximate percentage of interest in the Associated Corporation
Ms. Wang Xuemei	Beneficial owner	50,000 shares(1)	100%
Mr. Wang Jindong	Interest of spouse	50,000 shares(2)	100%

Notes:

(1) The disclosed interest represents the interests in the associated corporation, Sky Prosper Global Limited, which is held as to 80% by Ms. Wang Xuemei and 20% by Fu Hong Global Limited (富鴻環球有限公司) (which in turn is held as to 100% by Ms. Wang Xuemei).

(2) Mr. Wang Jindong is the spouse of Ms. Wang Xuemei. By virtue of the SFO, Mr. Wang Jindong is deemed to be interested in the shares held by Ms. Wang Xuemei.

Apart from the foregoing, as at 31 December 2017, none of the Directors nor the chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share option scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on 15 December 2015. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons ("Eligible Participants"):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:

(aa) contribution to the development and performance of our Group;

(bb) quality of work performed for our Group;

(cc) initiative and commitment in performing his/her duties; and

(dd) length of service or contribution to our Group.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for shares may be accepted in respect of less than the number of shares for which it is offered provided that it is accepted in respect of a board lot for dealing in shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of shares as shall represent one board lot for dealing in shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and the number of shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), the Company shall allot and issue the relevant number of shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorized share capital of the Company.

(d) Maximum number of shares

The maximum number of shares in respect of which options may be granted (including shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue on the Listing Date, being 81,000,000 shares (the "Scheme Limit"), excluding for this purpose shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the shares in issue (the "New Scheme Limit") as of the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time (the "Maximum Limit"). No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (r) below whether by way of capitalization issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently canceled (the "Canceled Shares") to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the GEM Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for the shares on and in consequence of the exercise of the option;

(gg) the date of the notice given by the grantee in respect of the exercise of the option; and

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of shares

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the GEM Listing Rules) of the Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial Shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant, such further grant of options will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting in favor, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and

(iv) the information required under Rule 2.28 of the GEM Listing Rules.

(h) Restrictions on the times of grant of options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

(ii) the deadline for the Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the GEM Listing Rules); and ending on the date of actual publication of the results announcement.

(i) Rights are personal to grantee

An option is personal to the grantee. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of the Company (the "Adoption Date"). Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:

(i) by any reason other than death, ill-health, injury, disability or termination of his/her relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as the Company may determine); or

(ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the options in full (to the extent not already exercised).

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offense involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the shares in respect of which the notice is given (such notice to be received by the Company no later than two Business Days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of shares

The shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as are attached to the other fully-paid shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number of shares subject to any outstanding options and/or the subscription price per share of each outstanding option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of the Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n);

(iii) the date upon which the scheme of arrangement of the Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of the Company;

(v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offense involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date upon which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms and any adjustment to be made to the exercise price of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules, the supplemental guidance of 5 September 2005 and any future guidance or interpretation of the GEM Listing Rules from time to time and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(u) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is canceled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

The Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Division granting the listing of and permission to deal in the shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sole Global Coordinator (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and

(iii) the commencement of dealings in the shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

At 31 December 2017, no option had been granted or agreed to be granted under the share option scheme adopted by the Company on 15 December 2015.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' interests and short positions in shares, underlying shares and debentures" and "Share option scheme" above, at no time during the year ended 31 December 2017 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

Substantial Shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2017, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules on the Stock Exchange:

Long positions in shares

Name	Nature of interest	Total number of shares held	Percentage of shareholding
Sky Prosper Global Limited	Beneficial owner	450,000,000	55.56%
Mr. Wang Xuemei	Interest in controlled Corporation (Note 1)	450,000,000	55.56%
Mr. Wang Jindong	Interest in Spouse (Note 2)	450,000,000	55.56%
China Fund Limited	Beneficial owner	74,280,000	9.17%
Luckever Holdings Limited	Interest in controlled corporation (Note 3)	74,280,000	9.17%
Mr. Liu Xuezhong	Interest in controlled corporation (Note 4)	74,280,000	9.17%
Ms. Li Yuelan	Interest in controlled corporation (Note 4)	74,280,000	9.17%
China Construction Bank Corporation	Person having a security interest in shares (Note 5)	207,000,000	25.56%
Central Huijin Investment Ltd.	Person having a security interest in shares (Note 6)	207,000,000	25.56%

Notes:

1. These shares are held by Sky Prosper Global Limited, a company incorporated in the British Virgin Islands with limited liability, which is held as to 80% by Ms. Wang Xuemei and 20% by Fu Hong Global Limited (which is held as to 100% by Ms. Wang Xuemei).

2. Mr. Wang Jindong is the spouse of Ms. Wang Xuemei. Under the SFO, Mr. Wang Jindong is deemed to be interested in all the shares in which Ms. Wang Xuemei is interested in.

3. These shares are held by China Fund Limited, which is held as to 100% by Luckever Holdings Limited.

4. These shares are held by China Fund Limited, which is held as to 100% by Luckever Holdings Limited, which is held to 60.87% Mr. Liu Xuezhong and 39.13% by Ms. Li Yuelan (Mr. Liu Xuezhong is the spouse of Ms. Li. Yuelan. Under the SFO, Mr. Liu Xuezhong is deemed to be interested in all the shares in which Ms. Li Yuelan is interested in, and Ms. Li Yuelan is deemed to be interested in all the shares in which Mr. Liu Xuezhong is interested in.

5. 207,000,000 shares held by Sky Prosper Global Limited were pledged to Chance Talent Management Limited, which is indirectly owned as to 100% by China Construction Bank Corporation. Therefore, China Construction Bank Corporation is deemed to be interested in Chance Talent Management Limited's interest in the Company by virtue of the SFO.

6. China Construction Bank Corporation is indirectly owned as to 57.31% by Central Huijin Investment Ltd. Therefore, Central Huijin Investment Ltd. is deemed to be interested in China Construction Bank Corporation's interest in the Company by virtue of the SFO.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other persons who had any interests or short positions in the shares or underlying Shares and debentures which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Related party transactions

Details of the related party transactions entered into by the Group are set out in note 27 to the financial statements.

Connected transaction and continuing connected transaction

During the year, the Group has not entered into any connected transactions or continuing connected transactions that are not exempted under the GEM Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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 the prescribed public float required by the GEM Listing Rules for the year ended 31 December 2017 and up to the date of this report.

Directors' interest in competing business

The Directors are not aware of any business or interest of the Directors nor our controlling Shareholders nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the year.

Deed of non-competition

In order to protect the Group's interest in its business activities, on 15 December 2015, each of Ms. Wang Xuemei and Sky Prosper Global Limited, the controlling Shareholders of the Company (the "Controlling Shareholders") (collectively, the "Non-Competing Covenantors"), have entered into a deed of non-competition ("Deed of Non-Competition") with the Company, pursuant to which each of them have undertaken that, with effect from the Listing Date and for as long as the shares remain so listed on the Stock Exchange and the Controlling Shareholders are individually or collectively with any of her/its close associates interested directly or indirectly in not less than 30% of the issued share capital of the Company (the "Restricted Period"), the Non-Competing Covenantors or their respective close associates shall not, (i) directly or indirectly engage in, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venturer, employee, consultant or otherwise) in competition with or likely to be in competition with the existing business carried on by our Group, including but not limited to the manufacture and sale of industrial coated products, the manufacture and sale of CTP module components and handset accessories as well as design and assembly of coated glass production equipment, (the "Restricted Business"); and (ii) directly or indirectly take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, solicitation of our Group's customers, suppliers or personnel of any member of our Group. Further details of the Deed Of Non-Competition are set out in the section headed "Relationship with Controlling Shareholders" of the prospectus of the Company dated 21 December 2015 ("Prospectus").

The independent non-executive Directors of the Company had reviewed the status of compliance as well as confirmation by the Controlling Shareholders of the Company and, on the basis of such confirmation, are of the view that such Controlling Shareholders have complied with their non-competition undertakings under the Deed of Non-Competition and these non-competition undertakings have been enforced by the Company in accordance with its terms.

Competition and Conflict of Interests

During the year, save as disclosed in the Prospectus, none of the Directors or substantial Shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Indemnity of Directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout this year.

Directors' interests in transactions, arrangements or contracts of significance

No transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with a director had a material interest, either directly or indirectly subsisted at the end of the year or at any time during the year.

Contract of Significance

No contract of significance was entered between the Company, or one of its subsidiaries, and a Controlling Shareholder or any of its subsidiaries.

Contract of Significance for the provision of services

No contract of significance for the provision of services was entered into between the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Environmental policies and performance

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance of prevailing environmental protection laws and regulations.

The Group has adopted environmental protection measures and established a realiable system for environmental protection to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust, etc. in the course of production or other activities in accordance with these environmental laws and regulations.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with relevant authorities effectively through effective communications.

The Group also complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group in Hong Kong.

Key Relationships with Employees, Customers and Suppliers

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2017 are set out in notes 18 to the financial statements.

Four year summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 110 of the annual report.

Distributable reserves

Details of the movements in the reserves of the Group for the Year are set out in the consolidated statement of changes in equity on page 55.

Details of the movements in the reserve of the Company for the Year are set out in note 23 to the financial statements.

As at 31 December 2017, the Company had approximately RMB155.12 million distributable reserve (31 December 2016: RMB174.93 million).

Properties

Particulars of the major properties and property interests of the Group are shown on note 10 to the financial statements.

Directors' Report

For the year ended 31 December 2017

Retirement schemes

Particulars of retirement schemes are set out in note 5 to the financial statements.

Confirmation of independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and, based on contents of such confirmation, considers all the independent non-executive Directors to be independent and that they have met the specific independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

Interests of compliance adviser

As notified by the Company's compliance adviser, Guotai Junan Capital Limited, neither Guotai Junan Capital Limited nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation of the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules except for the compliance adviser service provided by Guotai Junan Capital Limited) as at the date of this report.

Corporate Governance

Details of the corporate governance practices adopted by the Company are set out on page 14 to 24 of this annual report.

Review by the AC

The audited financial statements of the Group for the year ended 31 December 2017 have been reviewed by the AC. The AC is of the opinion that the financial statements of the Group for the year ended 31 December 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Wang Xuemei

Chairlady of the Board and Executive Director

Hong Kong, 27 March 2018

Independent Auditor's Report

Independent auditor's report to the shareholders of China Yu Tian Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Yu Tian Holdings Limited ("the Company") and its subsidiaries ("the group") set out on pages 52 to 109, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the group's ability to continue as a going concern *Refer to Note 1(c) to the consolidated financial statements.*	
The Key Audit Matter	**How the matter was addressed in our audit**
At 31 December 2017, the group had net current assets of RMB123 million (which included cash and cash equivalents of RMB63 million), bank and other loans of RMB76 million and notes payable of RMB142 million. At 31 December 2017, bank and other loans of RMB76 million and notes payable of RMB102 million are due for repayment within one year. The group finances its operating activities using a combination of cash on hand, operating cash inflows, borrowings and notes payable. Based on their review of the cash flow forecast of the group, the Directors have concluded that the group has adequate resources to remain in operation, and that the Directors intend to do so, for at least one year from the reporting date of the financial statements.	Our audit procedures to assess the going concern assumption in the preparation of the consolidated financial statements included the following: • walking through the business planning process and assessing the design, implementation and operating effectiveness of management's key internal controls over the assessment of the group's ability to continue as a going concern, including the preparation of cash flow forecast; • evaluating the key assumptions in the cash flow forecast (including sales volumes, average selling prices, raw material costs and production volumes, committed capital expenditure and foreign exchange rates) with reference to historical production information, current performance and internal investment and production plans; • comparing the available banking and other financing facilities and arrangements with underlying documentation;

Assessment of the group's ability to continue as a going concern *Refer to Note 1(c) to the consolidated financial statements.*	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the assessment of the group's ability to continue as a going concern as a key audit matter because notes payable and bank and other loans amounting to RMB102 million and RMB76 million respectively will be due for repayment throughout the year 2018 which has increased the risk that the group may not be able to continue to operate as a going concern and because the assessment of the group's ability to continue as a going concern is dependent upon certain management assumptions and judgements, in particular in relation to future revenue from sales and the ability of the group to renew or obtain new banking and other financing facilities upon expiry of the existing banking and other financing facilities.	• assessing the group's ability to renew or refinance existing banking and other financing facilities upon maturity by performing a retrospective review of past renewal or roll-over history of banking and other financing facilities in prior years, and inspecting loan agreements and underlying documentation for bank loans borrowed and repaid after year end; • assessing the sensitivities of the key assumptions adopted by management in the going concern assessment and considering whether management had incorporated any bias in the selection of such assumptions; • considering the accuracy and reliability of cash flow forecasts by comparing those made by management in prior years with the current year's results; and • evaluating the disclosures in the consolidated financial statements in respect of the going concern assessment with reference to the requirements of the prevailing accounting standards.

Recoverability of trade receivables *Refer to Note 15 to the consolidated financial statements and the accounting policies on pages 84 to 87.*	
The Key Audit Matter	**How the matter was addressed in our audit**
At 31 December 2017, the group's gross trade receivables totalled RMB149 million, against which provisions for doubtful debts of RMB0.7 million were recorded. The group's provisions for doubtful debts are based on management's estimate of the credit losses, which is estimated by taking into account the credit history of the group's customers and current market and customer-specific conditions all of which involve a significant degree of management judgement. The group's provisions for doubtful debts include a specific element based on individual debtors and a collective element based on historical experience adjusted for certain current factors. We identified the recoverability of trade receivables as a key audit matter because the majority of the group's customers are medium-sized and small-sized private owned enterprises which are facing challenges in terms of profitability and liquidity which increases the risk that individual trade receivables may not be recoverable, and among trade receivables of RMB149 million as at 31 December 2017, RMB38.5 million had been overdue and there is a risk that these trade receivables may not be recoverable.	Our audit procedures to assess the recoverability of trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, debt collection and making provisions for doubtful debts; • evaluating the group's policy for making provisions for doubtful debts with reference to the requirements of the prevailing accounting standards; • assessing the categorisation of balances in the trade receivable ageing report by comparing individual balances to the corresponding sales invoices, on a sample basis; • obtaining an understanding of the basis of management's judgement about the recoverability of individual material trade receivable balances and evaluating the provisions for doubtful debts made by management for these individual balances with reference to the debtors' financial condition, the industry in which the debtors are operating, the ageing of overdue balances and historical and post year-end payment records; • assessing the assumptions and estimates made by management in calculating the provisions for doubtful debts based on a collective assessment by performing a retrospective review of the historical accuracy of these estimates and recalculating the group's provisions with reference to the group's policy for collective assessment; • inspecting material cash receipts from customers subsequent to the financial year end relating to trade receivable balances at 31 December 2017.

Revenue recognition *Refer to Note 3 to the consolidated financial statements and the accounting policies on pages 72 to 73.*	
The Key Audit Matter	**How the matter was addressed in our audit**
Revenue of the group for the year ended 31 December 2017 principally comprise sales of coated architectural glass products, coated glass production equipment, capacitive touch panel module components and handset accessories. Contracts for different products with different types of customers have a variety of terms relating to goods acceptance. Such terms may affect the timing of the recognition of sales to these customers. Management evaluates the terms of each contract in order to determine the appropriate timing for revenue recognition. We identified revenue recognition as a key audit matter because revenue is a key performance indicator for the group and the key driver of gross profit which increases the risk that revenue may be manipulated to meet targets or expectations and because there is a risk that particular terms of sale may not be met and, as a result, revenue may be recognised in the incorrect period.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting key customer contracts to identify terms and conditions relating to goods acceptance and assessing the group's timing of recognition of revenue with reference to the requirements of the prevailing accounting standards; • comparing revenue transactions recorded during the year, on a sample basis, with invoices, sales contracts, goods delivery notes and cash receipts and obtaining audit confirmations, on a sampling basis, of the transaction amounts of coated architectural glass products, capacitive touch panel module components and handset accessories sold to assess whether the related revenue was recognised in accordance with the group's revenue recognition accounting policies; • inspecting underlying documentation for manual journal entries relating to revenue which were considered to be material or met other specific risk-based criteria; and • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying documentation, including goods delivery notes, customer acceptance notes, bills of lading and customs declaration forms, to assess whether the related revenue had been recognised in the appropriate financial period.

Independent Auditor's Report

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all 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 the directors for the consolidated financial statements

The directors 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 directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

- 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.

Independent Auditor's Report

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 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 Frankie C.Y. Lai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	2017 RMB'000	2016 RMB'000
Revenue	3	**524,427**	341,234
Cost of sales		**(407,622)**	(249,987)
Gross profit		**116,805**	91,247
Other (loss)/income	4	**(11,635)**	13,115
Distribution costs		**(2,741)**	(1,955)
Administrative expenses		**(27,361)**	(24,699)
Profit from operations		**75,068**	77,708
Finance costs	5(a)	**(22,767)**	(9,257)
Profit before taxation	5	**52,301**	68,451
Income tax	6(a)	**(14,183)**	(12,506)
Profit for the year		**38,118**	55,945
Earnings per share	9		
Basic and diluted (RMB)		**0.05**	0.07

The notes on pages 57 to 109 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

(Expressed in Renminbi Yuan unless otherwise indicated)

	2017 RMB'000	2016 RMB'000
Profit for the year	**38,118**	55,945
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies	**3,803**	(524)
Total comprehensive income for the year	**41,921**	55,421

The notes on pages 57 to 109 form part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2017

(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	**2017 RMB'000**	2016 RMB'000
Non-current assets			
Property, plant and equipment	10	**260,673**	253,363
Lease prepayments	11	**37,257**	38,071
Non-current prepayments	13	**3,512**	7,234
Deferred tax assets	21(b)	**7,040**	6,464
		308,482	305,132
Current assets			
Inventories	14	**136,719**	59,630
Trade and other receivables	15	**240,606**	293,880
Pledged bank deposits	16	**–**	3,000
Cash and cash equivalents	17	**63,196**	74,320
		440,521	430,830
Current liabilities			
Loans and borrowings	18	**76,000**	78,000
Notes payable	19	**101,632**	845
Trade and other payables	20	**126,044**	171,811
Income tax payable	21(a)	**13,820**	9,273
		317,496	259,929
Net current assets		**123,025**	170,901
Total assets less current liabilities		**431,507**	476,033
Non-current liabilities			
Deferred revenue	22	**3,312**	4,359
Notes payable	19	**40,370**	127,428
		43,682	131,787
Net assets		**387,825**	344,246
Capital and reserves			
Share capital	23(b)	**6,779**	6,779
Reserves	23(c)	**381,046**	337,467
Total equity		**387,825**	344,246

Approved and authorised for issue by the Board of Directors on 27 March 2018.

Wang Jindong
Director

Zhao Haibo
Director

The notes on pages 57 to 109 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

(Expressed in Renminbi Yuan unless otherwise indicated)

	Share capital RMB'000 (23(b))	Share premium RMB'000 (23(c)(i))	Capital reserves RMB'000 (23(c)(ii))	PRC statutory reserves RMB'000 (23(c)(iii))	Exchange reserves RMB'000 (23(c)(iv))	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2016	6,779	189,199	–	10,588	661	81,598	288,825
Changes in equity for 2016							
Total comprehensive income for the year	–	–	–	–	(524)	55,945	55,421
Appropriation to reserves (Note 23(c)(ii))	–	–	–	6,040	–	(6,040)	–
Balance at 31 December 2016 and 1 January 2017	**6,779**	**189,199**	**–**	**16,628**	**137**	**131,503**	**344,246**
Changes in equity for 2017							
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**3,803**	**38,118**	**41,921**
Appropriation to reserves (Note 23(c)(ii))	**–**	**–**	**–**	**9,276**	**–**	**(9,276)**	**–**
Deemed contribution from Controlling Shareholder	**–**	**–**	**1,658**	**–**	**–**	**–**	**1,658**
Balance at 31 December 2017	**6,779**	**189,199**	**1,658**	**25,904**	**3,940**	**160,345**	**387,825**

The notes on pages 57 to 109 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

(Expressed in Renminbi Yuan unless otherwise indicated)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Cash generated from/(used in) operations	17(b)	**47,399**	(6,926)
Income tax paid	21(a)	**(10,212)**	(7,914)
Net cash generated from/(used in) operating activities		**37,187**	(14,840)
Investing activities			
Payment for purchase of property, plant and equipment		**(44,797)**	(118,858)
Interest received		**96**	298
Net cash used in investing activities		**(44,701)**	(118,560)
Financing activities			
Proceeds from loans and borrowings	17(c)	**76,000**	68,000
Proceeds from notes	17(c)	**21,422**	124,672
Repayment of notes	17(c)	**(836)**	–
Repayment of loans and borrowings	17(c)	**(78,000)**	(62,380)
Decrease in pledged deposits	17(c)	**3,000**	–
Interest and other borrowing costs paid	17(c)	**(18,843)**	(4,313)
Net cash generated from financing activities		**2,743**	125,979
Net decrease in cash and cash equivalents		**(4,771)**	(7,421)
Cash and cash equivalents at 1 January	17(a)	**74,320**	80,205
Effect of foreign exchange rate changes		**(6,353)**	1,536
Cash and cash equivalents at 31 December	17(a)	**63,196**	74,320

The notes on pages 57 to 109 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies

(a) General information

China Yu Tian Holdings Limited (the "Company") was incorporated in the Cayman Islands on 13 November 2013 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries hereinafter are collectively referred to as the "Group".

Pursuant to a Group reorganisation completed on 27 January 2014 (the "Reorganisation") to rationalize the Group's structure in preparation for the public offering of the Company's shares on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. The Company's shares were listed on the Stock Exchange on 29 December 2015.

(b) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

1 Significant accounting policies (Continued)

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

The consolidated financial statements have been prepared on the basis that the Group will continue to operate throughout the next twelve months as a going concern, notwithstanding that the Group's notes payable of RMB102 million, and bank and other loans of RMB76 million will be due in 2018. Based on future projection of the Group's profit and cash inflows from operations and the anticipated ability of the Group to renew or roll-over its banking and other financing facilities to finance its continuing operations for the year ending 31 December 2018, management believe that the Group has adequate resources to continue to operate as a going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

1 Significant accounting policies (Continued)

(d) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 17(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(e) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(h)(ii)), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

1 Significant accounting policies (Continued)

(f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses (see Note 1(h)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Plant and buildings	10 – 30 years
– Machinery and equipment	10 years
– Office and other equipment	3 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see Note 1(h)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

1 Significant accounting policies (Continued)

(g) Leased assets (Continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Lease prepayments

Lease prepayments represent cost of land use right paid to the PRC governmental authorities or third parties.

Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see Note 1(h)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

1 Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(i) Impairment of receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or Group of units) and then, to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 Significant accounting policies (Continued)

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant accounting policies (Continued)

(m) Derecognition of non-derivative financial assets and financial liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 Significant accounting policies (Continued)

(p) Income tax (Continued)

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant accounting policies (Continued)

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred revenue and consequently are effectively recognised in profit or loss over the useful life of the asset as other income.

1 Significant accounting policies (Continued)

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the period which it is incurred.

1 Significant accounting policies (Continued)

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 Significant accounting policies (Continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgement and estimates

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

2 Accounting judgement and estimates (Continued)

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Depreciation and amortisation

As described in Note 1(f), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(ii) Net realisable value of inventories

As described in Note 1(i), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is carried at the lower of cost and net realisable value.

(iii) Impairment of trade and other receivables

Management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its debtors and current market conditions. If the financial conditions of the debtors were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade and other receivables at the end of reporting period.

2 Accounting judgement and estimates (Continued)

(b) Sources of estimation uncertainty (Continued)

(iv) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 1(h)(ii). The carrying amounts of the Group's non-current assets, including property, plant and equipment, lease prepayments and investments in subsidiaries are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and the fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate selling price of the Group's non-current assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are the sales of coated architectural glass products, coated glass production equipment, capacitive touch panel ("CTP") module components and handset accessories.

The amount of each significant category of revenue is as follows:

	2017 **RMB'000**	2016 RMB'000
Sales of coated architectural glass products	**84,455**	101,177
Sales of coated glass production equipment	**27,405**	9,296
Sales of CTP module components and handset accessories	**412,567**	230,761
	524,427	341,234

3 Revenue and segment reporting (Continued)

(a) Revenue (Continued)

The Group's customer base is diversified and includes two customers with whom transactions had exceeded 10% of the Group's revenues for the year ended 31 December 2017 (2016: two). Details of concentrations of credit risk arising from the Group's largest debtor and the five largest debtors are set out in Note 24(a).

Revenue from sales to a customer which amounted to 10 percent or more of the Group's revenue for the year is set out below:

	2017 **RMB'000**	2016 RMB'000
Customer A	**153,439**	*
Customer B	**90,517**	*
Customer C	*	86,980
Customer D	*	64,055

* Less than 10 percent of the Group's revenue for the corresponding year.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Coated architectural glass products: this segment includes primarily research, development, manufacture and sales of coated architectural glass products.
- Coated glass production equipment: this segment includes primarily research, development, manufacture and sales of coated glass production equipment.
- CTP module components and handset accessories: this segment includes primarily research, development, manufacture and sales of CTP module components and sales of handset accessories.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The measure used for reporting segment profit is turnover less cost of sales.

3 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance was as below:

	Year ended 31 December 2017			
	Coated architectural glass products RMB'000	**Coated glass production equipment RMB'000**	**CTP module components and handset accessories RMB'000**	**Total RMB'000**
Reportable segment revenue	**84,455**	**27,405**	**412,567**	**524,427**
Reportable segment cost of sales	**66,108**	**19,286**	**322,228**	**407,622**
Reportable segment profit	**18,347**	**8,119**	**90,339**	**116,805**

	Year ended 31 December 2016			
	Coated architectural glass products RMB'000	Coated glass production equipment RMB'000	CTP module components RMB'000	Total RMB'000
Reportable segment revenue	101,177	9,296	230,761	341,234
Reportable segment cost of sales	75,204	7,339	167,444	249,987
Reportable segment profit	25,973	1,957	63,317	91,247

3 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliation of reportable segment profit to the Group's profit before taxation

	2017 RMB'000	2016 RMB'000
Reportable segment profit	**116,805**	91,247
Other (loss)/income	**(11,635)**	13,115
Distribution costs	**(2,741)**	(1,955)
Administrative expenses	**(27,361)**	(24,699)
Finance costs	**(22,767)**	(9,257)
Profit before taxation	**52,301**	68,451

(iii) Geographical information

The following table sets out information about the geographical location of the Group's external customers to which revenue was generated from the Group's property, plant and equipment, lease prepayments and other non-current assets ("specified non-current assets"). The geographical location of customers is based on the location to which the goods were delivered.

	2017 RMB'000	2016 RMB'000
Revenue		
Mainland China	**227,875**	112,509
Indonesia	**72**	–
Hong Kong	**296,480**	228,725
	524,427	341,234

The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of lease prepayments, property, plant and equipment, the location of the operation for which they are used. The Group's specified non-current assets were all located in Mainland China during the year.

4 Other (loss)/income

	2017 RMB'000	2016 RMB'000
Government grants	**1,920**	7,373
Interest income	**96**	298
Foreign exchange (loss)/gains	**(13,651)**	5,444
	(11,635)	13,115

Government grants represent unconditional grants received from local government to encourage the Group's development.

5 Profit before taxation

Profit before taxation is arrived at after charging:

	2017 RMB'000	2016 RMB'000
(a) Finance costs:		
Interest on interest-bearing borrowings	**20,509**	8,406
Other borrowing costs	**2,258**	851
	22,767	9,257
(b) Staff costs:		
Salaries, wages and other benefits	**12,863**	11,658
Contributions to defined contribution retirement plan	**2,018**	1,767
	14,881	13,425

Employees of the Group's PRC subsidiary are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiary contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

5 Profit before taxation (Continued)

		Note	2017 RMB'000	2016 RMB'000
(c)	**Other items:**			
	Cost of inventories	(i)	**407,622**	249,987
	Depreciation		**18,698**	9,117
	Amortisation of lease prepayments		**813**	813
	Research and development costs		**17,405**	10,090
	(Reversal of impairment losses)/impairment losses on trade and other receivables		**(4,887)**	3,642
	Operating lease charges		**721**	476
	Auditor's remuneration		**2,100**	1,100

(i) Cost of inventories included staff costs of RMB9,545,000 (2016: RMB8,831,000) and depreciation of RMB17,399,000 (2016: RMB8,374,000) for the year ended 31 December 2017, which are also included in the respective total amounts disclosed separately above or in Note 5(b).

6 Income tax in the consolidated statement of profit or loss

(a) Income tax in the consolidated statement of profit or loss represents:

	2017 RMB'000	2016 RMB'000
Current tax:		
Provision for PRC income tax for the year (Note 21(a))	**14,759**	11,907
Deferred tax:		
Origination and reversal of temporary differences (Note 21(b))	**(576)**	599
	14,183	12,506

6 Income tax in the consolidated statement of profit or loss (Continued)

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates:

	Note	2017 RMB'000	2016 RMB'000
Profit before taxation		**52,301**	68,451
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	(i)	**20,678**	18,192
Effect of preferential tax rate	(ii)	**(10,602)**	(5,774)
Additional deduction for qualified research and development costs	(iii)	**(1,284)**	–
Deferred tax assets not recognised	(iv)	**5,825**	–
Adjustment to income tax of previous years		**(737)**	–
Non-deductible expenses		**303**	88
Actual income tax expense		**14,183**	12,506

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax was made for the subsidiary incorporated in Hong Kong as the subsidiary did not have income subject to Hong Kong Profits Tax.

(ii) The PRC subsidiary, Jiangsu Yutian Gangbo New Material Co., Ltd. ("Jiangsu Yutian") was subject to the PRC statutory income tax rate of 25%. In 2013, it was accredited as a "High and New Technology Enterprise" ("HNTE") and obtained the approval to the application of extension of the accreditation in 2016. Jiangsu Yutian is entitled to the preferential tax rate of 15% from 2016 to 2018.

(iii) Under the PRC Corporate Income Tax Law and its relevant regulations, 50% additional tax deduction is allowed for qualified research and development costs.

(iv) Deferred tax assets have not been recognised in respect of the tax losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

7 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	2017 Total RMB'000
Executive Directors				
Mr. Wang Jindong	–	119	19	138
Ms. Wang Xuemei	–	119	19	138
Mr. Zhao Haibo	–	114	17	131
Mr. Tang Xiguang	–	116	17	133
Independent non-executive Directors				
Mr. Huang Zhiwei	105	–	–	105
Mr. Wang Zhonghua	105	–	–	105
Mr. Chengbo	105	–	–	105
	315	468	72	855

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	2016 Total RMB'000
Executive Directors				
Mr. Wang Jindong	–	110	19	129
Ms. Wang Xuemei	–	110	19	129
Mr. Zhao Haibo	–	104	15	119
Mr. Tang Xiguang	–	103	15	118
Independent non-executive Directors				
Mr. Huang Zhiwei	104	–	–	104
Mr. Wang Zhonghua	104	–	–	104
Mr. Chengbo	104	–	–	104
	312	427	68	807

7 Directors' emoluments (Continued)

No Directors of the Company waived or agreed to waive any emoluments for the year ended 31 December 2017 or 2016.

During the year, there was no amount paid or payable by the Group to the Directors or any of the five highest paid individuals set out in Note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2016: four) are Directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other one individual (2016: one individual) are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries, allowance and benefits in kind	**92**	91
Contributions to retirement benefit schemes	**15**	15
	107	106

The emoluments of the above individuals are within the band of Nil to HK$1,000,000.

9 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity Shareholders of the Company of RMB38,118,000 (2016: RMB55,945,000) and 810,000,000 ordinary shares (2016: 810,000,000 ordinary shares) in issue during the year ended 31 December 2017.

There were no dilutive potential ordinary shares outstanding during the years ended 31 December 2017 and 2016.

10 Property, plant and equipment

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2016	38,048	70,878	527	54,983	164,436
Additions	128	356	194	124,954	125,632
Transfer	50,630	–	–	(50,630)	–
Disposals	–	–	(139)	–	(139)
At 31 December 2016	88,806	71,234	582	129,307	289,929
At 1 January 2017	**88,806**	**71,234**	**582**	**129,307**	**289,929**
Additions	**1,828**	**102**	**2,063**	**22,015**	**26,008**
Transfer	**17,793**	**122,702**	**–**	**(140,495)**	**–**
At 31 December 2017	**108,427**	**194,038**	**2,645**	**10,827**	**315,937**
Accumulated depreciation:					
At 1 January 2016	5,661	21,407	520	–	27,588
Charge for the year	2,039	7,051	27	–	9,117
Written back on disposals	–	–	(139)	–	(139)
At 31 December 2016	7,700	28,458	408	–	36,566
At 1 January 2017	**7,700**	**28,458**	**408**	**–**	**36,566**
Charge for the year	**4,450**	**14,003**	**245**	**–**	**18,698**
At 31 December 2017	**12,150**	**42,461**	**653**	**–**	**55,264**
Net book value:					
At 31 December 2016	81,106	42,776	174	129,307	253,363
At 31 December 2017	**96,277**	**151,577**	**1,992**	**10,827**	**260,673**

The Group's property, plant and equipment are all located in the PRC.

Property, plant and equipment with net book value of RMB137,308,000 (2016: RMB32,059,000) were pledged as security for bank loans (see Note 18(i)) as at 31 December 2017.

11 Lease prepayments

	2017 RMB'000	2016 RMB'000
Cost:		
At 1 January	**40,656**	40,656
Additions	**–**	–
At 31 December	**40,656**	40,656
Accumulated amortisation:		
At 1 January	**2,586**	1,772
Charge for the year	**813**	813
At 31 December	**3,399**	2,585
Net book value:	**37,257**	38,071

Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 50 years when granted.

Lease prepayments with net book value of RMB25,275,000 were pledged as security for bank and other loans (see Note 18(i)) as at 31 December 2017.

Lease prepayments with net book value of RMB38,071,000 were pledged as security for bank and other loans and bills payable (see Note 18(i) and Note 20) as at 31 December 2016.

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
KAIFA Global Limited ("Kaifa Global") (凱發環球有限公司)	British Virgin Islands	50,000 shares of US$1 each	100%	100%	–	Investment holding
Hong Kong Yu Tian Group Limited ("HK Yutian") (香港宇天集團有限公司)	Hong Kong	10,000 shares of HK$1 each	100%	–	100%	Investment holding
Jiangsu Yutian (江蘇宇天港玻新材料有限公司)	The PRC	RMB106,150,000	100%	–	100%	Sales of coated architectural glass, coated glass production equipment, CTP module components and handset accessories

Note: The English translation of Jiangsu Yutian is for reference only. The official name of the company established in the PRC is in Chinese.

13 Non-current prepayments

	2017 RMB'000	2016 RMB'000
Prepayments for purchase of property, plant and equipment	**3,512**	7,234

14 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2017 RMB'000	2016 RMB'000
Raw materials	**23,325**	28,183
Work in progress	**13,914**	19,446
Finished goods	**99,480**	12,001
	136,719	59,630

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	**407,622**	249,987

All of the inventories are expected to be recovered within one year.

15 Trade and other receivables

	2017 RMB'000	2016 RMB'000
Trade receivables	**149,097**	220,825
Bills receivable (Note (a)(i))	**35,952**	7,400
Less: allowance for doubtful debts	**(702)**	(5,589)
	184,347	222,636
Deposits and prepayments	**49,300**	62,347
Other receivables and assets	**6,959**	8,897
Trade and other receivables	**240,606**	293,880

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

15 Trade and other receivables (Continued)

(a) Transfers of financial assets

(i) Transferred financial assets that are not derecognised in their entirety

The Group endorsed certain bank acceptance bills with carrying amounts of RMB35,952,000 (2016: RMB7,400,000) to its suppliers as at 31 December 2017 for settling trade payables of the same amounts on a full recourse basis. In the opinion of the Directors, the Group had not transferred the substantial risks and rewards relating to these bank acceptance bills, and accordingly, it continued to recognise the full carrying amounts of these bills receivable and the associated trade payables settled.

(ii) Transferred financial assets that are derecognised in their entirety

As at 31 December 2017, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amounts on a full recourse basis.

The Group had derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the Directors, the Group had transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group had limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2017, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB660,000 (2016: RMB8,283,000).

15 Trade and other receivables (Continued)

(b) Ageing analysis

As of the end of the reporting period, an ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	**141,098**	203,944
More than 3 months but less than 6 months	**38,544**	8,691
More than 6 months	**4,705**	10,001
	184,347	222,636

Further details on the Group's credit policy are set out in Note 24(a).

(c) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see Note 1(h)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**5,589**	1,947
Impairment losses recognised	**682**	5,238
Impairment losses written back	**(5,569)**	(1,596)
At 31 December	**702**	5,589

At 31 December 2017, the Group's trade receivables of RMB702,000 (2016: RMB5,589,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that these receivables are irrecoverable.

15 Trade and other receivables (Continued)

(d) Trade receivables and bills receivable that are not impaired

The ageing analysis of trade receivables that were neither individually nor collectively considered to be impaired are as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**145,803**	208,830
Less than 1 month past due	**11,305**	10,354
More than 1 month but less than 3 months past due	**27,239**	1,964
More than 3 months past due	**–**	1,488
	38,544	13,806
	184,347	222,636

Receivables that were neither past due nor impaired relate to customers and debtors for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16 Pledged bank deposits

	2017 RMB'000	2016 RMB'000
Deposits were pledged in respect of:		
Bills payable (Note 20)	**–**	3,000

The pledged bank deposits as at 31 December 2016 were released upon settlement of bills payable in 2017.

17 Cash and cash equivalents

(a) Cash and cash equivalents comprise

	2017 **RMB'000**	2016 RMB'000
Cash at banks and on hand	**63,196**	74,320

(b) Reconciliation of profit before taxation to cash used in operations

	Note	**2017** **RMB'000**	2016 RMB'000
Profit before taxation		**52,301**	68,451
Adjustments for:			
Depreciation	5(c)	**18,698**	9,117
Amortisation of lease prepayments	5(c)	**813**	813
(Reversal of provision)/provision for impairment losses on trade and other receivables	15(c)	**(4,887)**	3,642
Finance costs	5(a)	**22,767**	9,257
Interest income	4	**(96)**	(298)
Foreign exchange losses		**3,298**	1,211
Operating profit before changes in working capital		**92,894**	92,193
Increase in inventories		**(77,089)**	(20,883)
Decrease/(increase) in trade and other receivables		**58,161**	(153,183)
(Decrease)/increase in trade and other payables		**(26,567)**	74,947
Cash generated from operations		**47,399**	(6,926)

Notes to the Consolidated Financial Statements

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17 Cash and cash equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings RMB'000 (Note18)	Notes payable RMB'000 (Note19)	Interest and other borrowing costs payable RMB'000	Pledged deposits RMB'000 (Note16)	Total RMB'000
At 1 January 2017	78,000	128,273	3,571	(3,000)	206,844
Changes from financing cash flows:					
Proceeds from new bank loans	76,000	–	–	–	76,000
Repayment of bank loans	(78,000)	–	–	–	(78,000)
Proceeds from notes	–	21,422	–	–	21,422
Repayment of notes	–	(836)	–	–	(836)
Pledged deposit received for loans and bills payable	–	–	–	3,000	3,000
Interest and other borrowing costs paid	–	–	(18,843)	–	(18,843)
Total changes from financing cash flows	(2,000)	20,586	(18,843)	3,000	2,743
Exchange adjustments	–	(6,857)	–	–	(6,857)
Other changes:					
Interest expenses (note 5(a))	–	–	20,509	–	20,509
Other borrowing costs (note 5(a))	–	–	2,258	–	2,258
Waived by Controlling Shareholder	–	–	(1,658)	–	(1,658)
Total other changes	–	–	21,109	–	21,109
At 31 December 2017	76,000	142,002	5,837	–	223,839

18 Loans and borrowings

Loans and borrowings were all repayable within 1 year or on demand, and secured as follows:

	2017 **RMB'000**	2016 RMB'000
Bank loans		
– secured (i)(iii)	**36,000**	36,000
– unsecured (ii)	**30,000**	32,000
	66,000	68,000
Other loans		
– secured (i)	**10,000**	10,000
	10,000	10,000
	76,000	78,000

(i) Bank and other loans were secured by the following assets of the Group:

Carrying amount of assets

	2017 **RMB'000**	2016 RMB'000
Property, plant and equipment (Note 10)	**137,308**	32,059
Lease prepayments (Note 11)	**25,275**	26,066
	162,583	58,125

(ii) Bank loan of RMB30,000,000 (2016: RMB32,000,000) was guaranteed by third party guarantee companies as at 31 December 2017.

(iii) Bank loans of RMB21,000,000 (2016: RMB16,000,000) were guaranteed by the Controlling Shareholder and Mr. Wang Jindong, an executive Director, as at 31 December 2017.

(iv) As at 31 December 2017, bank loans bore interest within the range of 5.22% – 8.40% (2016: 5.22% – 9.36%) per annum. As at 31 December 2017, other loans bore interest of 10% (2016: 10%) per annum.

19 Notes payable

The notes were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**101,632**	845
After 1 year but within 2 years	**6,114**	106,229
After 2 years but within 5 years	**743**	3,098
After 5 years	**33,513**	18,101
	40,370	127,428
	142,002	128,273

The notes were secured as follows:

	2017 RMB'000	2016 RMB'000
Unsecured (i)	**46,002**	25,724
Secured (ii)	**96,000**	102,549
	142,002	128,273

(i) As at 31 December 2017, unsecured notes bore effective interest rate of 11.68% (2016: 11.31%) per annum.

(ii) As at 31 December 2017, secured notes effective interest rate of 10.21% (2016: 10.21%) per annum. The notes are secured by 207,000,000 ordinary shares of the Company held by Sky Prosper Global Limited, which held 450,000,000 ordinary shares of the Company, and guaranteed by the Controlling Shareholder.

20 Trade and other payables

	2017 RMB'000	2016 RMB'000
Trade payables	**59,142**	102,820
Bills payable	**–**	6,000
	59,142	108,820
Other payables and accruals	**47,972**	45,891
Receipts in advance	**18,930**	17,100
Trade and other payables	**126,044**	171,811

All trade and other payables are expected to be settled within one year.

Bills payable were secured by the following assets of the Group:

	2017 RMB'000	2016 RMB'000
Lease prepayments (Note 11)	**–**	12,005
Pledged bank deposits (Note 16)	**–**	3,000
	–	15,005

As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	**30,320**	93,125
More than 3 months but less than 6 months	**8,172**	12,244
More than 6 months	**20,650**	3,451
	59,142	108,820

21 Income tax in the consolidated statement of financial position

(a) Income tax payable in the consolidated statement of financial position represent:

	2017 RMB'000	2016 RMB'000
Provision for PRC income tax:		
Balance at beginning	**9,273**	5,280
Provision for current income tax for the year	**14,759**	11,907
Payment during the year	**(10,212)**	(7,914)
Balance at the end of the year	**13,820**	9,273

(b) Deferred tax assets recognised

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year are as follows:

	Depreciation charges in excess of depreciation allowances RMB'000	**Accruals and provisions** RMB'000	**Deferred revenue** RMB'000	**Total** RMB'000
Deferred tax assets arising from:				
At 1 January 2016	2,029	3,888	1,146	7,063
Credited/(charged) to profit or loss (Note 6(a))	150	(692)	(57)	(599)
At 31 December 2016	2,179	3,196	1,089	6,464
At 1 January 2017				
Credited/(charged) to profit or loss (Note 6(a))	**610**	**227**	**(261)**	**576**
At 31 December 2017	**2,789**	**3,423**	**828**	**7,040**

(c) Deferred tax liabilities not recognised

The PRC income tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on or after 1 January 2008. The Group has not recognised a deferred tax liability as at 31 December 2017 in respect of undistributed earnings of RMB233,140,000 (2016: RMB149,658,000) because it is probable that they will not be distributed to the holding company outside the PRC in the foreseeable future.

22 Deferred revenue

	2017 RMB'000	2016 RMB'000
Government grants	**3,312**	4,359

23 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (23(b))	Capital reserve RMB'000 (23(c)(i))	Share premium RMB'000 (23(c)(ii))	Exchange reserves RMB'000 (23(c)(iv))	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2016	6,779	–	189,199	6,848	(10,030)	192,796
Changes in equity for 2016						
Loss for the year	–	–	–	–	(4,243)	(4,243)
Other comprehensive income for the year	–	–	–	14,063	–	14,063
Balance at 31 December 2016 and 1 January 2017	**6,779**	**–**	**189,199**	**20,911**	**(14,273)**	**202,616**
Changes in equity for 2016						
Loss for the year	**–**	**–**	**–**	**–**	**(19,809)**	**(19,809)**
Other comprehensive income for the year	**–**	**–**	**–**	**(13,379)**	**–**	**(13,379)**
Deemed contribution from Controlling Shareholder	**–**	**1,420**	**–**	**–**	**–**	**1,420**
Balance at 31 December 2017	**6,779**	**1,420**	**189,199**	**7,532**	**(34,082)**	**170,848**

23 Capital and reserves (Continued)

(b) Share capital

(i) Authorised share capital

The Company was incorporated in the Cayman Islands on 13 November 2013 with authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each.

Pursuant to written resolution dated 15 December 2015, the Company increased the authorised share capital by creation of 9,962,000,000 shares of a nominal value of HK$0.01 each.

As at 31 December 2017 and 2016, the Company's authorised share capital was HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each.

(ii) Issued share capital

	2017		2016	
	No. of shares	**Amount RMB'000**	No. of shares	Amount RMB'000
At 1 January and 31 December	**810,000,000**	**6,779**	810,000,000	6,779

(c) Nature and purpose of reserves

(i) Share premium and distributability of reserves

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The aggregated amount of distributable reserves, including share premium but after offsetting the accumulated losses, of the Company as at 31 December 2017 was RMB155,117,000 (2016: RMB174,926,000).

(ii) Capital reserves

Capital reserves of the Group represent deemed contribution from the Controlling Shareholder in relation to the guarantees for the Group's bank loans and notes payable provided by the Controlling Shareholder. The guarantee fees of RMB1,658,000 charged to the Group were waived by the Controlling Shareholder.

23 Capital and reserves (Continued)

(c) Nature and purpose of reserves (Continued)

(iii) PRC statutory reserves

Statutory reserves are established in accordance with the relevant PRC rules and regulations and the Articles of Association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective Boards of Directors' meeting.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iv) Exchange reserves

Exchange reserves comprise foreign exchange differences from the translation of the financial statements of operations outside the PRC.

(v) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-equity ratio. This ratio is calculated as net debt divided by equity. The Group defines net debt as loans and borrowings and bills payable, less pledged bank deposits and cash and cash equivalents. Total equity comprises all components of equity.

During the year ended 31 December 2017, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to Shareholders, issue new shares, return capital to Shareholders, raise new debt financing or sell assets to reduce debt.

23 Capital and reserves (Continued)

(c) Nature and purpose of reserves (Continued)

(v) Capital risk management (Continued)

The net debt-to-equity ratios at 31 December 2017 and 2016 were as follows:

		2017 **RMB'000**	2016 RMB'000
Loans and borrowings	18	**76,000**	78,000
Notes payable	19	**142,002**	128,273
Bills payable	20	**–**	6,000
Total debt		**218,002**	212,273
Less: Pledged bank deposits	16	**–**	(3,000)
Cash and cash equivalents	17	**(63,196)**	(74,320)
Net debt		**154,806**	134,953
Total equity		**387,825**	344,246
Adjusted net debt-to-equity ratio		**40%**	39%

Neither the Company nor its subsidiaries are subject to internally or externally imposed capital requirements.

24 Financial risk management and fair value

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these factors and financial risks, management policies and parties used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Credit terms of no more than 6 months from the date of billing or separately negotiated repayment schedules may be granted to customers, depending on credit assessment carried out by management on an individual customer basis. Normally, the Group does not obtain collateral from customers.

24 Financial risk management and fair value (Continued)

(a) Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2017, the amount of receivables from the five largest debtors represented 47% (2016: 61%) of the total trade and other receivables, while 17% (2016: 26%) of the total trade and other receivables was due from the largest single debtor respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position after deducting any impairment allowance, and endorsed bills with full recourse which were derecognised by the Group (see Note 15). The Group does not provide any other guarantees which would expose the Group to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements. The Group prepares cash flow forecasts and ensures that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Group had net current assets of RMB123,025,000 (2016: RMB170,901,000) as at 31 December 2017. Note 1(c) further explains management's plan for managing the liquidity needs of the Group.

Other than endorsed bills with full recourse which were derecognised by the Group (see Note 15), the following are the contractual maturities of the Group's financial liabilities at the end of the respective reporting period, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

24 Financial risk management and fair value (Continued)

(b) Liquidity risk (continued)

	Note	At 31 December 2017 Contractual undiscounted cash outflow Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 9 months RMB'000	More than 9 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Loans and borrowings	(i)	25,180	10,275	16,680	27,048	–	–	79,183	76,000
Notes payable		2,594	1,773	2,045	107,161	19,203	44,523	177,299	142,002
Trade and other payables		–	–	–	126,044	–	–	126,044	126,044
		27,774	12,048	18,725	260,253	19,203	44,523	382,526	344,046

	At 31 December 2016 Contractual undiscounted cash outflow Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 9 months RMB'000	More than 9 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Loans and borrowings	35,205	10,262	8,391	27,080	–	–	80,938	78,000
Notes payable	–	626	614	12,097	126,005	25,640	164,982	128,273
Trade and other payables	–	–	–	171,811	–	–	171,811	171,811
	35,205	10,888	9,005	210,988	126,005	25,640	417,731	378,084

(i) As at 31 December 2017, loans and borrowings and related interest expenses within 3 months or on demand of RMB 25,000,000 had been re-financed in the first quarter of 2018. These re-financed loans and borrowings will be repayable in the first quarter of 2019.

24 Financial risk management and fair value (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Loans and borrowings issued at fixed rates expose the Group to fair value interest rate risk.

(i) Interest rate profile

The following table details the interest rate profile of the Group's loans and borrowings, and notes payable at the end of the reporting period.

	2017		2016	
	Interest rate %	**RMB'000**	Interest rate %	RMB'000
Fixed rate				
Notes payable	**10.21% - 11.68%**	**142,002**	10.21% - 11.31%	128,273
Bank loans	**5.22% - 8.40%**	**66,000**	5.22% - 9.36%	68,000
Other loans	**10.00%**	**10,000**	10.00%	10,000
Total		**218,002**		206,273

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect the Group's profit or loss.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars. The Group manages this risk as follows:

(i) Recognised assets

In respect of trade receivables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by selling foreign currencies at spot rates where necessary to address short-term imbalances.

24 Financial risk management and fair value (Continued)

(d) Currency risk (Continued)

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	2017 RMB'000	2016 RMB'000
USD denominated		
– Trade receivables	**74,420**	196,481
– Cash and cash equivalents	**14,246**	52,241
Gross exposure arising from recognised assets	**86,666**	248,722

(iii) Sensitive analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at 31 December			
	2017		2016	
	Increase/ (decrease) in foreign exchange rate	**Increase/ (decrease) in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rate	Increase/ (decrease) in profit after tax and retained profits RMB'000
USD	**5%**	**1,650**	5%	8,350
	(5%)	**(1,650)**	(5%)	(8,350)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translating into RMB at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2016.

24 Financial risk management and fair value (Continued)

(e) Fair values

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

All financial assets and liabilities were carried at amounts not materially different from their fair values as at 31 December 2017 due to the short maturities of those instruments.

25 Commitments

(a) Capital commitments

Capital commitments of the Group in respect of plant, property and equipment outstanding at the end of each reporting period not provided for in the financial statements were as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Contracted for	–	874
Authorised but not contracted for	–	40,000
	–	40,874

25 Commitments (Continued)

(b) Operating lease commitments

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of motor vehicles were payable as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**1,098**	144
After 1 year but within 2 years	**1,103**	–
After 2 year but within 3 years	**672**	–
	2,873	144

26 Contingent liabilities

A subsidiary of the Company was a defendant in a lawsuit filed in April 2015 in relation to a contract dispute. The plaintiff, who supplied equipment for the subsidiary's production of CTP module components and handset accessories, filed a lawsuit to request the subsidiary to make certain payments of RMB1.3 million under a purchase contract entered into between the plaintiff and the subsidiary, and claimed losses with accrued interest of approximately RMB0.2 million. The subsidiary filed a counterclaim against the plaintiff on the ground that the final product delivered by the plaintiff failed to meet the operating standard as agreed in the purchase contract. The subsidiary lost the lawsuit at the trial court and appealed to the court of appeal. The court of appeal revoked the decision of the trial court and remanded the lawsuit to the trial court. As at 31 December 2017, the Group has accrued the amount payable in accordance with purchase contract. Up to the date of issue of these financial statements, the case was under first trial. The Directors, based on the advice from its legal counsel, do not believe it probable that the court will find against them and accordingly, so no provision has been made in respect of this claim.

27 Material related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

During the reporting period, the Directors are of the view that the following companies and person are related parties of the Group:

Name of party	Relationship
Wang Xuemei 王雪梅	Controlling Shareholder
Wang Jindong 王進東	An executive Director
Jiangsu Biaoke Information Technology Co., Ltd. (“Jiangsu Biaoke”) 江蘇鏢客信息技術有限公司	Company controlled by close family members of Controlling Shareholder

Note: The English translation of the above company names is for reference only. The official names of the companies established in the PRC are in Chinese.

(a) Significant related party transactions

	2017 RMB’000	2016 RMB’000
Repayment of advances to related parties:		
Controlling Shareholder	–	12,330

	2017 RMB’000	2016 RMB’000
Research and development expenses paid to:		
Jiangsu Biaoke	–	1,698

27 Material related party transactions (Continued)

(a) Significant related party transactions (Continued)

	2017 RMB'000	2016 RMB'000
Guarantee fees recognised for:		
Controlling Shareholder	**1,658**	–

Advances from/to related parties of the Group are unsecured, interest-free and have no fixed term of repayment.

(b) Balances with related parties

No balance with related parties was noted as at 31 December 2017 and 2016.

(c) Guarantees issued by related parties

	2017 RMB'000	2016 RMB'000
Controlling Shareholder	**137,129**	118,868
An executive Director	**41,000**	16,000
	178,129	134,868

27 Material related party transactions (Continued)

(d) Key management personnel remuneration

Key management personnel remuneration is disclosed in Notes 7 and 8.

28 Statement of financial position of the Company

	Note	**2017 RMB'000**	2016 RMB'000
Non-current assets			
Investment in a subsidiary		**307**	307
Current assets			
Amounts due from subsidiaries	(i)	**311,756**	270,509
Cash and cash equivalents		**6,856**	64,959
Total current assets		**318,612**	335,468
Current liabilities			
Amounts due to subsidiaries	(i)	**(324)**	(347)
Other payables		**(6,067)**	(4,539)
Notes payable	19	**(101,632)**	(845)
Total current liabilities		**(108,023)**	(5,731)
Net current assets		**210,589**	329,737
Total assets less current liabilities		**210,896**	330,044
Non-current liabilities			
Notes payable	19	**(40,370)**	(127,428)
Net assets		**170,526**	202,616
Equity			
Share capital		**6,779**	6,779
Reserves		**163,747**	195,837
Total equity		**170,526**	202,616

(i) The amounts due from/to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

(Expressed in Renminbi Yuan unless otherwise indicated)

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017

Up to the date issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in the preparation of these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRIC 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Annual Improvements to IFRSs 2014–2016 cycle	1 January 2018
IFRS 16, *Leases*	1 January 2019
IFRIC 23 *Uncertainty over Tax Treatments*	1 January 2019
Amendments to IFRS 10 and IAS 28, *Consolidated financial statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position. Specifically, the Group assesses the impact of HKFRS 9 and HKFRS 15 as below.

While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impact upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's consolidated financial statements for the period beginning on 1 January 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in the Group's consolidated financial statements for the period beginning on 1 January 2018.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

IFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognize any transition adjustments against the opening balance of equity at 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortized cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI). The Group currently does not have any financial assets measured at FVTPL or FVTOCI.

Based on the assessment so far, the Group expects that its financial assets currently measured at amortized cost will continue with their respective classification and measurement upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognized in other comprehensive income (without reclassification to profit or loss). Based on the assessment so far, the Group does not expect significant change in the convertible notes' own credit risk and therefore this new request may not have a significant impact on the Group on adoption of HKFRS9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognized. Instead, an entity is required to recognize and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. Based on a preliminary assessment, the application of the new impairment model may not have a significant impact on the Group.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

IFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sales of goods and rendering of services, and HKAS 11, Construction contracts which specifies the accounting for revenue from construction contracts.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

Step 1: Identify the contract(s) with customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group plans to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognize the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018.

Based on the assessment so far, the Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operations and financial position.

Financial Summary

Results

	2017 **RMB'000**	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	**524,427**	341,234	208,487	196,184	168,170
Profit before taxation	**52,301**	68,451	26,663	39,434	28,169
Income Tax	**(14,183)**	(12,506)	(3,698)	(6,201)	(4,201)
Profit for the year	**38,118**	55,945	22,965	33,233	23,968

Assets and Liabilities

	2017 **RMB'000**	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Total assets	**749,003**	735,962	446,308	324,046	250,914
Total liabilities	**361,178**	391,716	157,483	146,434	114,926
Total equity	**387,825**	344,246	288,825	177,612	135,988

Note:

The financial information for the years ended 31 December 2013 and 2014 were extracted from the prospectus of the Company dated 21 December 2015. No financial statements of the Group for the year ended 31 December 2012 have been published. The summary above does not form part of the audited financial statements.