信義香港
XINYI
HONG KONG

XINYI AUTOMOBILE GLASS HONG KONG ENTERPRISES LIMITED
信義汽車玻璃香港企業有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 08328

2017
ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This report, for which the directors (the "**Directors**") of Xinyi Automobile Glass Hong Kong Enterprises 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, 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 herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. LI Pik Yung
Mr. CHAN Chi Leung^

Non-executive Directors

Mr. TUNG Ching Sai *(Chairman)*~
Mr. LEE Shing Kanø

Independent non-executive Directors

Mr. WANG Guisheng* ø <
Mr. NG Wai Hung# <
Mr. CHAN Hak Kan, B.B.S., JP# +

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

COMPANY SECRETARY

Mr. CHAN Chi Leung, CPA

REGISTERED OFFICE

PO Box 1350
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75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2116-2117, 21st Floor
Rykadan Capital Tower
No. 135 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

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

COMPLIANCE ADVISER

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

AUDITOR

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

PRINCIPAL BANKERS

Bank of China (Hong Kong)
DBS Bank
Fubon Bank (Hong Kong)
Hang Seng Bank
HSBC
Huishang Bank
Industrial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

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183 Queen's Road East
Wanchai, Hong Kong

COMPANY'S WEBSITE

www.xyglass.com.hk

SHARE INFORMATION

Place of listing: GEM of the Stock Exchange
Stock code: 08328
Listing date: 11 July 2016
Board lot: 4,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this annual report: HK$2.20
Market capitalisation as of the date of this annual report:
Approximately HK$1,188.2 million

CHAIRMAN'S STATEMENT

On behalf of the Board of the Company, I am pleased to present the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017.

For the year ended 31 December 2017, the Group recorded a 123.7% increase in revenue from HK$49.3 million in 2016 to HK$110.3 million in 2017. Without incurring any listing expenses (2016: HK$5.0 million), the profit attributable to owners of the Company in 2017 of HK$9.4 million represented an increase of HK$4.3 million or 85.6% as compared with the same amount in 2016 excluding the listing expenses.

During the year, the Group actively enhanced and diversified its customers, and enhanced the service quality and efficiency in order to increase the market share of the core business in the vehicle glass repair and replacement market. At the same time, the Group has strategically expanded its new energy business since last year and such business begin to contribute revenue and profit this year.

I present below an overview of the business of the Group during 2017 and key development highlights for the coming year.

BUSINESS REVIEW

Proactive Marketing Strategies to Enhance and Diversify Customer Base

As one of the leading vehicle glass repair and replacement service providers in Hong Kong, the Group has built a strong customer base in Hong Kong. The Group recorded a stable revenue growth of 2.7% for the year under review, which was contributed by our proactive marketing strategies. Driven by the strategy to enhance its business relationship with insurance companies, the Group has received additional order from our existing insurance customers and has entered into additional cooperation agreements with insurance companies in Hong Kong during 2017 for the provision of glass repairing services to vehicles under their insurance coverage. The Group has placed online advertisements and increased the function in our website to allow customers place orders online. The Group continues to adopt proactive marketing strategies to enhance and diversify its customer base, and is committed to continue to improve the quality and the efficiency of the services it provides, in order to boost the market share of its core business in Hong Kong.

Increase in Service Capacity and Improvement in Customer Service Facilities

The Group currently has four service centres and a motorcade service team with 21 vehicles for the provision of its services. In December 2017, the Group's Tsuen Wan service centre has begun renovation. The Directors believe that the newly renovated service centre can provide a better customer experience. The Group plans to continue to improve our customer service facilities to cater for the need of our customers.

Lithium Battery Packs, Energy Storage Products and Forklift Trading Business – New Revenue Drivers

As one of the strategies of the Group set forth in the Prospectus (the "**Prospectus**") of the Company dated 28 June 2016, the Group has set up a plant for the production of lithium battery products in the PRC which has commenced the commercial production near the end of the second quarter of 2017, with sales of battery products commencing in the third quarter of 2017. Two of the Group's customers for power batteries are engaged in the production of forklifts. The Group has also agreed with these two customers to source forklifts from them and the Group started to engage in the trading of forklifts powered by its lithium batteries. Such arrangement brings synergies effect in boosting the sales of both lithium battery packs and integrated systems as well as forklift, contributing a new source of revenue for the Group. The Group also engages in the development and sale of energy storage facilities with lithium batteries, like large-scale power banks for manufacturing facilities to facilitate load shifting and power stabilization, uninterruptible power supply (UPS) and power banks for households. The first energy storage product has been delivered for sale in January 2018.

Strategic Expansion into Wind Power Business in the PRC

As disclosed in the announcement dated 20 January 2017, Anhui Xinyi Power Source Company Limited a wholly-owned subsidiary of the Company entered into an agreement with Xinyi Energy Smart (Wuhu) Company Limited, a wholly-owned subsidiary of Xinyi Glass Holdings Limited for the subscription of 18% equity interests in Xinyi Wind Power (Jinzhai) Company Limited ("**Xinyi Wind**"). Xinyi Wind is a limited liability company established in the PRC engaged in the business including development and operation of wind farms for electricity generation. Xinyi Wind has a wind farm in Anhui Province with an approved grid-connection capacity of 64MW. Since the third quarter of 2017, the Group has started the provision of wind farm management services to Xinyi Wind. The Group has also established a team for the exploration of new wind farm projects and may start the investment and/or construction of other wind farm projects after feasibility study and obtaining relevant approvals.

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

BUSINESS OUTLOOK

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

Rapid growth in the industrial lithium-ion battery energy storage is expected following the recently initiated supportive policies by the government. Energy storage technology serves as a strategic support for future changes in energy structure and mode of electricity generation and consumption and can be used in the energy storage products, such as large-scale power banks for manufacturing facilities to facilitate load shifting and power stabilisation. With the increasing environmental awareness and emphasis on renewable energy, it is expected the demand for lithium battery powered forklifts and energy storage products will further increase in China and other countries. The Directors are optimistic about the prospect of lithium battery industry and target to leverage the annual production capacity of the production facilities from 300 million watt-hours to over 1.3 billion watt-hours in the next two years.

CONCLUSION

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

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

TUNG Ching Sai
Chairman

23 February 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2017, the Group continued to be one of the largest service providers of vehicle glass repair and replacement in Hong Kong. The stable growth of the Group's revenue in 2017 was primarily due to the increase in demand from the insurance companies which are customers of the Group.

As one of the strategies of the Group, the Group has established a plant for the production of lithium battery products in the PRC which has started the sales and delivery of lithium battery products since the third quarter of 2017. Products of the Group are delivered mainly in integrated system comprising lithium batteries, battery management system, and/or other components like energy management system and power conditioning system.

During the year, the Group has subscribed for 18% equity interests in Xinyi Wind and started the provision of wind farm management services to Xinyi Wind. The equity investment is recorded as available-for-sale financial asset and measured at fair value at year end. The Directors consider that this is a high-growth business segment and would continue to explore wind-power related projects.

The Group recorded satisfactory results for the year of 2017. Sales increased by 123.7% from HK$49.3 million in 2016 to HK$110.3 million in 2017. The profit attributable to owners of the Company increased from HK$0.1 million in 2016 to HK$9.4 million in 2017. Without incurring any listing expenses (2016: HK$5.0 million), the profit attributable to owners of the Company in 2017 of HK$9.4 million represented an increase of HK$4.3 million or 85.6% as compared the same amount in 2016 excluding the listing expenses.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group's revenue was HK$110.3 million (2016: HK$49.3 million), representing an increase by 123.7% mainly attributable to the increase in demand from the insurance companies which are customers of the Group, as well as revenue contributed by new business segments as analysed as follows:

Revenue — by segment

Year Ended 31 December

	2017		2016		Increase	
	HK$'million	***%***	*HK$'million*	*%*	*HK$'million*	*%*
Sale of automobile glass with installation and repair services	**50.7**	**45.9**	49.3	100	1.4	2.8
Sales of lithium battery products	**27.2**	**24.7**	—	—	27.2	N/A
Trading of forklift	**31.9**	**28.9**	—	—	31.9	N/A
Wind farm related business	**0.5**	**0.5**	—	—	0.5	N/A
Total revenue	**110.3**	**100**	49.3	100	61.0	123.7

Revenue — by geographical markets

	Year Ended 31 December					
	2017		2016		Increase	
	HK$'million	*%*	*HK$'million*	*%*	*HK$'million*	*%*
Mainland China	**59.6**	**54.1**	—	—	59.6	N/A
Hong Kong	**50.7**	**45.9**	49.3	100	1.4	2.8
	110.3	**100**	49.3	100	61.0	123.7

Cost of revenue and gross profit

The gross profit for the year ended 31 December 2017 was HK$24 million (2016: HK$14.1 million). Gross profit margin decreased from 28.6% to 21.7% mainly due to the overall gross profit margin of the new businesses is lower than that of automobile glass repair and replacement business. The increase in gross profit of HK$9.9 million was mainly due to increase in gross profit contributed by the automobile glass repair and replacement services, reduction of gross loss from production and sales of lithium battery products, and gross profit contributed by the trading of forklifts. There was a gross loss of HK$0.8 million (2016: HK$1.2 million) for the lithium battery business mainly due to the rental of HK$3.3 million (2016: HK$1.2 million) incurred and charged to cost of revenue in the first three quarters of 2017 (2016: fourth quarter) before the delivery of sale. The rental expenses were fully refundable from the PRC government which give rise to a corresponding other income.

Other income

Other income included HK$5.6 million (2016: HK$1.2 million) factory rental subsidy and tax subsidy (2016: factory rental subsidy) from the PRC government.

Other (losses)/gains, net

Other (losses)/gains, net mainly included HK$0.6 million losses (2016: HK$0.4 million gains) relating to foreign currency translation difference for the bank balances which are denominated in Hong Kong Dollars and placed in the PRC.

Selling and administrative expenses

Selling and administrative expenses for the year ended 31 December 2017 was HK$16 million in aggregate (2016: HK$14.3 million) representing an increase of HK$1.7 million or 11.9%. Without incurring any listing expenses (2016: HK$5.0 million), the selling and administrative expenses for the year ended 31 December 2017 of HK$16 million represented an increase of HK$6.7 million or 72.0% compared with the amount in 2016 excluding the listing expenses, which was mainly due to the increase in emoluments of HK$3.9 million paid to the staff and directors and increase in expenses incurred for audit and professional fees of HK$0.4 million.

Finance Costs

The Group's finance costs increased from nil for the year ended 31 December 2016 to HK$0.1 million (or HK$0.5 million before capitalisation) for the year ended 31 December 2017. The increase was mainly attributable to new bank borrowings made by the Group to finance the capital expenditures for its lithium battery production facilities. During the year under review, interest expense of HK$0.4 million (2016: nil) was capitalised into the construction costs of the lithium battery production facilities. The capitalised amounts would depreciate together with the relevant assets over their estimated useful lives.

Income tax expenses

We incurred income tax of HK$3.7 million for the year ended 31 December 2017 (2016: HK$1.5 million), which represented Hong Kong profits tax payable and PRC corporate income tax. The effective tax rates was 28.2% for the year ended 31 December 2017 (2016: 95.9%), which was higher than the standard tax rate of 16.5% for Hong Kong and the corporate income tax rate of 25% for PRC principally due to the fact that certain expenses are not deductible for tax purposes or unrecognised temporary differences incurred during the year. These items included (i) expenses incurred for some investment holding companies without revenue, and (ii) the pre-operating expenses for certain PRC subsidiaries.

Profit before tax and net profit for the year

The Group recorded profit before tax for the year ended 31 December 2017 of HK$13.1 million (2016: HK$1.5 million). Without incurring any listing expenses (2016: HK$5.0 million), the profit before tax for the year ended 31 December 2017 of HK$13.1 million, represented an increase of HK$6.6 million as compared with the same amount in 2016 excluding the listing expenses. This was mainly attributable to the operating performance of the Group as analysed above.

The profit attributable to owners of the Company increased by 148 times from HK$0.1 million in 2016 to HK$9.4 million in 2017. Without incurring any listing expenses (2016: HK$5.0 million), the profit attributable to owners of the Company in 2017 of HK$9.4 million represented an increase of HK$4.3 million or 85.6% as compared with the same amount in 2016 excluding the listing expenses.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2017, the Group's primary source of funding included its own working capital, bank borrowings and the net proceeds from the listing on GEM of the Stock Exchange (the "**Listing**") on 11 July 2016 (the "**Listing Date**"). As at 31 December 2017, the Group had net current assets of HK$10.5 million (31 December 2016: HK$23.3 million) and cash and cash equivalents of HK$39.5 million (31 December 2016: HK$42.7 million) which were placed with major banks in Hong Kong and the PRC. As at 31 December 2017, the Group has bank borrowings of HK$55 million (31 December 2016: Nil) and unutilised banking facilities of HK$5 million (31 December 2016: HK$10 million).

The Group's net debt gearing ratio calculated based on bank borrowings less cash and bank balances divided by the shareholders' equity of the Group was 12.6% as at 31 December 2017. Net debt gearing ratio was not applicable as at 31 December 2016 as the Group has no bank borrowing as at 31 December 2016.

CAPITAL STRUCTURE

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

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK$25.1 million for year ended 31 December 2017 (2016: HK$69.3 million) which was mainly related to the development and construction of lithium battery production facilities in the PRC and leasehold improvements of service centres and warehouse and additions of vehicles in Hong Kong.

Capital commitments contracted for but not incurred by the Group as at 31 December 2017 amounted to HK$6.2 million (31 December 2016: HK$15.0 million), which were mainly related to the purchase of various production plants and machinery for the lithium battery plant in the PRC from independent third parties under different independent contracts.

PLEDGE OF ASSETS

No assets of the Group were pledged as security for bank borrowings as at 31 December 2017 and 2016.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 234 (31 December 2016: 157) full-time employees of whom 184 (31 December 2016: 108) were based in China and 50 (31 December 2016: 49) were based in Hong Kong. The Group maintains good relationships with all of its employees. It provides the employees with sufficient training in business and professional knowledge including information about the applications of the Group's products and skills in maintaining good customer relationships. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

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

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2017.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

Amid the recent appreciation (2016: deprecation) of RMB against HK$, the Group reported non-cash translation gain – an increase in the reserve of its consolidated balance sheet of HK$7.5 million (2016: non-cash translation losses of HK$1.9 million), when converting RMB-denominated assets and liabilities into HK$ at 31 December 2017.

The Group transacts mainly in HK$ and RMB. However, the Group retains some bank balances in HK$ in PRC which contributed to a foreign currency translation loss of approximately HK$0.6 million (2016: gain of HK$0.4 million) as HK$ depreciated (2016: appreciated) against RMB.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. During the year ended 31 December 2017, the Group did not use any financial instrument for hedging purpose.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business strategies up to 31 December 2017 as stated in the Prospectus	Implementation plan	Actual business progress up to 31 December 2017
Expansion of service capacity	— Expand our Tokwawan service centre by renting one additional shop premises close to it.	The Group has rented one additional shop premises close to the existing Tokwawan service centre which is ready for use since August 2016.
	— Relocate the Group's service centre in Quarry Bay to a larger size premises on the Hong Kong Island.	The Group has relocated its service centre on the Hong Kong Island from Quarry Bay to Chai Wan since September 2016.
	— Expand our motorcade service teams by acquiring new vehicles for providing door-to-door services.	The Group has acquired 2 new motor vehicles.
	— Hire additional technicians to increase our service capacity.	The Group has hired 2 additional technicians.
	— Develop mobile apps and online facility to allow online reservations and payments for our vehicle glass repairs and replacement services.	The Group has added additional contents and functions to the Company's website to allow customers to place ordering request online.
	— Identify potential new shop premises in East Kowloon	The Group is in the process of identifying potential shop premises.
Improvement in customer service facilities and service quality	— Renovate our Tokwawan and Tsuen Wan service centres.	The Group has renovated its Tokwawan and Tsuen Wan service centres.
	— Provide on-the-job training to our technicians covering topics including technical skills involved in installation of vehicle glass, customer service skills and workplace safety.	The Group has from time to time provided on-the-job training on topics including technical skills, customer service skills and work safety to our technicians.

Business strategies up to 31 December 2017 as stated in the Prospectus	Implementation plan	Actual business progress up to 31 December 2017
Sales and marketing	— Distribute marketing materials to customers. — Offer promotion activities and/or other special packages for our services to our customers. — Participate in major promotional events held by the relevant industry organisations.	The Group has from time to time distributed marketing materials to customers, offered promotion activities for our services to customers and participated in major promotional events held by relevant industry organisations.
	— Enter into business contracts with insurance companies to broaden our customer base and increase our revenue.	The Group has entered into six business contracts with insurance companies for the provision of vehicle glass repair services to the cars under their insurance coverage after the Listing Date and up to 31 December 2017.
	— Web/mobile application promotion to encourage customers to arrange for the services online and web/mobile application hyperlinkage to selected insurance companies to streamline the claim process and enhance positive customer experience.	The Group has added a page in the company website to allow customers to place ordering request online and added hyperlinkage to selected insurance companies.

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

USE OF PROCEEDS FROM THE LISTING

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

During the period from the Listing Date to 31 December 2017, the net proceeds from the public offering had been applied as follows:

Proposed use of proceeds	Adjusted use of proceeds in the same manner and proportion as stated in the Prospectus (Note) *HK$'million*	Actual usage *HK$'million*
Expansion of service capacity	5.1	3.9
Improvement in customer service facilities and service quality	1.3	0.9
Sales and marketing	0.6	0.6
General working capital	0.4	0.4
Total	7.4	5.8

Note: This sum represents an aggregate amount of the planned use of proceeds from the Listing Date to 31 December 2017 as stated in the Prospectus being adjusted based on the amount of actual net proceeds in the same manner and proportion as shown in the Prospectus.

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

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

Apart from the capital contribution to subscribe for approximately 18% equity interests in Xinyi Wind, a company engaged in wind power business, there were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2017. Save as those disclosed in the Prospectus and the plan to increase the annual capacity of lithium battery production from 300 million watt hours to about 1.3 billion watt hours, there was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this report. Further report for the plant set-up will be made in compliance with the GEM Listing Rules.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liability (31 December 2016: Nil).

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2017 and up to the date of this report.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON- EXECUTIVE DIRECTOR

Mr. TUNG Ching Sai (董清世), aged 52, is a non-executive Director and our Chairman and is responsible for the formulation of our Group's overall business strategy. Mr. TUNG Ching Sai has been working with Xinyi Glass Holdings Limited ("**Xinyi Glass**") and its subsidiaries ("**Xinyi Glass Group**") for 29 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass and the vice chairman and executive director of Xinyi Solar Holdings Limited. He was the 4th and 5th chairman of the Shenzhen Federation of Young Entrepreneurs and a committee member of The Chinese People's Political Consultative Conference of Fujian Province. Mr. TUNG Ching Sai is a committee member of The Chinese People's Political Consultative Conference of Guangxi Zhuang Autonomous Region, the vice chairman of the China Architectural and Industrial Glass Association and a member of the executive committee of All-China Federation of Industry and Commerce. Mr. TUNG Ching Sai obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur award in September 2001 and was awarded the "Young Industrialist Awards of Hong Kong 2006". Mr. TUNG Ching Sai graduated from the Sun Yat-Sen University with a senior executive master degree in business administration. Mr. TUNG Ching Sai is the uncle of Ms. LI Pik Yung, an executive Director, and Mr. LEE Shing Kan, a non-executive Director.

EXECUTIVE DIRECTORS

Ms. LI Pik Yung (李碧蓉), aged 45, is our executive Director and our Chief Operation Officer. Ms. LI is responsible for overseeing the daily management, sales and marketing activities and human resources matters of our Group. Ms. LI has been working for the Group for over 19 years and was promoted as our executive Director in December 2015. Ms. LI is the spouse of Mr. SHI Chit Yuk, our Chief Executive Officer, a cousin of Mr. LEE Shing Kan and a niece of Mr. TUNG Ching Sai.

Mr. CHAN Chi Leung (陳志良), aged 37, is our executive Director, Financial Controller, and Company Secretary. Mr. CHAN is responsible for overseeing our financial, accounting, internal control and company secretarial matters. Mr. CHAN joined us as a Finance Manager in July 2015 and was promoted as our executive Director in December 2015. Mr. CHAN is a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Mr. CHAN graduated from The Chinese University of Hong Kong and obtained a bachelor's degree in business administration. Prior to joining us, Mr. CHAN worked in international accounting firms for more than 11 years.

NON-EXECUTIVE DIRECTOR

Mr. LEE Shing Kan (李聖根), aged 38, is our non-executive Director. Mr. LEE has been working in Xinyi Glass for over 12 years. Mr. LEE is currently an executive director of Xinyi Glass and is responsible for overseeing the automobile glass business segment of Xinyi Glass. Mr. LEE holds a bachelor's degree in commerce from the University of Melbourne and a master's degree in applied finance from Monash University. Mr. LEE is the member of the Fujian Province Committee of Chinese People's Political Consultative Conference. Mr. LEE was a director of Tung Wah Group of Hospitals from 2012 to 2014. Mr. LEE Shing Kan is a nephew of Mr. TUNG Ching Sai and a cousin of Ms. LI Pik Yung. Mr. LEE Shing Kan is the son of Mr. LEE Yin Yee, B.B.S., one of the controlling shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Guisheng (王貴升), aged 48, is our independent non-executive Director. Mr. WANG obtained a master's degree in business administration from China Europe International Business School in August 2014. Mr. WANG is qualified as Certified Public Accountant with the Chinese Institute of Certified Public Accountants and the HKICPA and has been a member of the Association of Chartered Certified Accountants of England since April 2003. From July 2005 to October 2010, Mr. WANG served as an executive director of Maoye Commercial Company Limited (formerly known as Chengshang Group Co., Ltd.), a company listed on the Shanghai Stock Exchange (stock code: 600828). From August 2007 to October 2010, Mr. WANG served as an executive director and the chief financial officer of Maoye International Holdings Limited, a company listed on the Stock Exchange (stock code: 00848). From June 2010 to October 2010, Mr. WANG served as an executive director of Maoye Communication and Network Corporation Limited (formerly known as Qinhuangdao Bohai Logistics Holdings Corporations Ltd.), a company listed on the Shenzhen Stock Exchange (stock code: 000889). Mr. WANG is currently an executive director and the chief financial officer of Man Wah Holdings Limited, a company listed on the Stock Exchange (stock code: 01999) and an independent director of Sunshine Global Circuits Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300739).

Mr. NG Wai Hung (吳偉雄), aged 54, is our independent non-executive Director. Mr. NG graduated from the University of Hong Kong with a bachelor's degree in laws in 1987. Mr. NG is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors. Mr. NG practices in the areas of securities law, corporate law and commercial law in Hong Kong. From April 2011 to March 2017, June 2011 to May 2017, June 2015 to June 2017, August 2011 to August 2017, June 2006 to September 2017, June 2014 to December 2017 and February 2013 to December 2017, Mr. NG served as an independent non-executive director of seven companies listed on the Stock Exchange, namely, Tech Pro Technology Development Limited (stock code: 03823), GOME Retail Holdings Limited (formerly known as GOME Electrical Appliances Holding Limited) (stock code: 00493), Kingbo Strike Limited (stock code: 01421), Trigiant Group Limited (stock code: 01300), Fortune Sun (China) Holdings Limited (stock code: 00352), On Time Logistics Holdings Limited (stock code: 06123), and Sustainable Forest Holdings Limited (stock code: 00723) respectively. Currently, Mr. NG is also an independent non-executive director of another three companies listed on the Stock Exchange, namely, Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited) (stock code: 08172), 1957 & Co. (Hospitality) Limited (stock code: 08495) and Coolpad Group Limited (stock code: 02369).

Mr. CHAN Hak Kan, B.B.S., JP (陳克勤), aged 41, is our independent non-executive Director. Mr. CHAN graduated from The Chinese University of Hong Kong, obtained a bachelor's degree in social science in December 1997, and further obtained a master's degree in social science in December 2003. From January 2000 to December 2003, Mr. CHAN served as an elected member of the Sha Tin District Council. From October 2008 to October 2011, January 2011 to December 2016, March 2011 to February 2017, and April 2011 to March 2017, Mr. CHAN served as a member of the Council of The Chinese University of Hong Kong, the HKSAR Fish Marketing Advisory Board, the HKSAR Community Involvement Committee on Greening, and the HKSAR Marine Fish Scholarship Fund Advisory Committee, respectively. Mr. CHAN has been a member of the HKSAR Legislative Council, Beat Drugs Fund Association Governing Committee, Tung Wah Group of Hospitals Advisory Board and ICAC Advisory Committee on Corruption since October 2008, July 2012, October 2016 and January 2017, respectively. In June 2012, Mr. CHAN was appointed as the Justice of the Peace by the Chief Executive of Hong Kong. Currently, Mr. CHAN is also an independent non-executive director of another company listed on the Stock Exchange, Enerchina Holdings Limited (stock code: 00622).

SENIOR MANAGEMENT

Mr. SHI Chit Yuk (佘徹育), aged 49, is our Chief Executive Officer. Mr. SHI has been working for the Group for over 21 years since our inception. Mr. SHI has extensive experience in vehicle glass repairs and replacement business. Mr. SHI is also our operation director and is responsible for overseeing the daily operations and management of our Group. Mr. SHI is the spouse of Ms. LI Pik Yung.

Mr. CHUNG Chun Man (鍾振文), aged 41, is our Shop Manager. Mr. CHUNG has been working for Xinyi Automobile Glass Company Limited for over 20 years. Mr. CHUNG has extensive experience in repairs and replacement of vehicle glass for a wide range of vehicles. Mr. CHUNG is the Shop Manager of our service centre located in Kam Tin and is responsible for overseeing the daily operations of our vehicle glass repair and replacement business.

Mr. YANG Tie Bao (楊鐵寶), aged 45, is our General Manager of the lithium battery business. Mr. YANG holds a Doctor of Philosophy degree in Electrical Engineering from The University of Windsor, Canada. He joined Xinyi Glass Group in August 2015. Prior to joining the Group, he has been Acting General Manager of a lithium battery factory in the PRC, a co-founder of a technology company in the PRC and has been working with major corporations such as General Electric. He has published numerous technical articles, and is Visiting Professor of The Southwest Jiaotong University.

Mr. ZOU Hong (鄒宏), aged 47, is our General Manager of the energy storage business. Mr. ZOU joined the Group in October 2017. Prior to joining the Group, he has been the electric appliances sale general manager of Midea, and a founder of a trading company for major PRC branded electrical appliances. Mr. ZOU holds a bachelor's degree in economics from the Jiangxi University, a bachelor's degree in laws from the Peking University and a senior executive master degree in business administration from the Sun Yat-Sen University.

CORPORATE GOVERNANCE REPORT

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 15 of the GEM Listing Rules throughout the year of 2017.

The Company has applied the principles and in the opinion of the Board, the Company has complied with the applicable principles and code provisions of the CG Code for the year ended 31 December 2017.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors, and Mr. TUNG Ching Sai is the Chairman of the Board. Details of the Directors are set forth on pages 13 to 14 of this annual report.

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

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

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

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

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

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set forth on pages 13 to 14 in this annual report.

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

Mr. TUNG Ching Sai is the Chairman of the Group and Mr. SHI Chit Yuk is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. Mr. TUNG is responsible for ensuring that the Group has maintained strong and effective corporate governance practices and procedures.

The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of other members of the Board and other senior management, Mr. SHI closely monitors the operating and financial results of the Group, identifies any weakness in the operation and takes all necessary and appropriate steps to remedy such weakness. Mr. SHI is also responsible for formulating the future business plans and strategies of the Group for the Board's approval.

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

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

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

Attendance records of the Directors at board meetings and general meetings in 2017 are as follows:

	Meetings attended/held	
Directors	Board meetings	General meeting
Mr. TUNG Ching Sai	5/5	1/1
Ms. LI Pik Yung	5/5	1/1
Mr. CHAN Chi Leung	5/5	1/1
Mr. LEE Shing Kan	5/5	1/1
Mr. WANG Guisheng	5/5	1/1
Mr. NG Wai Hung	5/5	0/1
Mr. CHAN Hak Kan, B.B.S., JP	5/5	0/1

At least four Board meetings are scheduled to be held during the year ending 31 December 2018.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by the Directors (the "**Model Code**") on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2017.

REMUNERATION COMMITTEE

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

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. The Remuneration Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. For the year ended 31 December 2017, a meeting of the Remuneration Committee was held and all the committee members attended this meeting.

Pursuant to code provision B1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors and chief executive of the Company) by band for the year ended 31 December 2017 is set forth below:

In the band of:	Number of individuals
Below HK$1,000,000	2
HK$1,000,000 to HK$1,500,000	1

Details of remuneration of the Director's and chief executive of the Company is set out in Note 31 to the consolidated financial statements of the Group.

AUDIT COMMITTEE

The Audit Committee of the Board comprises three independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, B.B.S., JP. Mr. WANG Guisheng is the chairman of the Audit Committee. The audited consolidated financial statements of the Group for the year ended 31 December 2017 has been reviewed by the Audit Committee.

The primary duties of the audit committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group, nominate and monitor external auditors and provide advice and comments to the Board on matters related to corporate governance. The Audit Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. For the year ended 31 December 2017, the Audit Committee held 4 meetings, and all the committee members attended these meetings.

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of three members, namely Mr. TUNG Ching Sai, Mr. WANG Guisheng and Mr. NG Wai Hung. The chairman of the Nomination Committee is Mr. TUNG Ching Sai.

The Nomination Committee selects and recommends appropriate candidates, based on his or her prior experience and qualifications, to the Board for the appointment of Directors. The Nomination Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. For the year ended 31 December 2017, a meeting of the Nomination Committee was held, and all the committee members attended this meeting.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 35 and 39 of this annual report.

AUDITOR'S REMUNERATION

The professional fee charged by the external auditor of the Company, PricewaterhouseCoopers, for the year ended 31 December 2017 in respect of the auditing services is disclosed in the notes to the financial statements of the Group, which is HK$862,000.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

— Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;

— Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;

— Important business functions or activities are managed by experienced, qualified and suitably trained staff;

— Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary; and

— Internal audit function to perform independent appraisal of major operations on an ongoing basis.

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

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2017.

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

Based on the results of the internal control review for the year ended 31 December 2017 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2017.

DIRECTORS' INDUCTION AND PARTICIPATION IN CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

COMPANY SECRETARY

The company secretary is Mr. CHAN Chi Leung, a member of the HKICPA. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. Further information on his biography is set forth on page 13 of this report. Mr. CHAN has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

(i) the annual general meeting provides a forum for the Shareholders of the Company to raise comments and exchange views with the Board. The Directors are available at the annual general meetings of the Company to address shareholders' queries;

(ii) quarter, interim and annual results are announced as early as possible, to keep the Shareholders of the Company informed of the Group's performance and operations;

(iii) the Company maintains a website at www.xyglass.com.hk, where updated key information/news of the Group is available for public access; and

(iv) Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the company secretary or via e-mail to "ir@xyglass.com.hk".

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2017.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set forth in Note 13 to the consolidated financial statements of the Group in this annual report.

RESULTS AND APPROPRIATIONS

The Group's financial performance for the year ended 31 December 2017 is set out in the consolidated statement of profit or loss and other comprehensive income on page 40 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017.

BUSINESS REVIEW AND PROSPECTS

A business review of the Group for the year ended 31 December 2017 and its future development is set out in the Chairman's Statement from pages 3 to 5 and Management Discussion and Analysis from pages 6 to 12 of this annual report.

USE OF PROCEEDS FROM THE PUBLIC OFFERING OF SHARES

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is in the process of preparing its Environmental, Social and Governance report for the year ended 31 December 2017 and will publish it on the Stock Exchange's website and the Company's website on or before 29 June 2018.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group values relationships with, and have been maintaining good relationships with its customers, raw material and equipment suppliers, service providers and the employees of the Group. During the year ended 31 December 2017, there were no material dispute between the Group and its customers, suppliers and employees.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Vehicle glass repair and replacement business

— Our business and financial conditions and operating results depend on the constant supply of vehicle glass and our ability to effectively manage and maintain our level of inventories.

— Our profitability is subject to the rise and fluctuation of the prices of the vehicle glass.

— Any complaints or claims by our customers or negative publicity on our Group could materially and adversely affect our reputation and business.

Lithium battery related business and forklift trading business

— The levels of demand and supply of lithium battery products are not entirely within the Group's control and are generally affected by the energy storage, forklift and electric vehicle industries, the government support measures to the energy storage, forklift and electric vehicle companies, the overall macroeconomic factors in the principal lithium battery and energy storage related markets, and the production capacity of other lithium battery and energy storage product manufacturers.

— The Group also relies on a constant supply of raw materials for its production requirement.

All of the above factors could adversely and materially affect the Group's operating results and profitability.

Details of the Group's exposure to foreign exchange risk and other financial risks are set out in the section headed "Treasury Policies and Exposure to Fluctuation in Exchange Rates" in the Management Discussion and Analysis on page 10 and section headed "Financial Risk Management" in Note 3 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the operating results of the Group for the past four years ended 31 December 2017 and the assets liabilities of the Group as of 31 December 2014, 2015, 2016 and 2017 is set forth in the section headed "Financial Summary" of this annual report.

PLANT AND EQUIPMENT

Details of the movements in the Group's plant and equipment during the year ended 31 December 2017 are set forth in Note 14 to the consolidated financial statements.

SHARES ISSUED DURING THE YEAR

Details of shares issued are set out in Note 20 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2017, share premium amounting to HK$102.8 million (31 December 2016: HK$102.8 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2017, the Company had distributable reserves available for distribution to Shareholders amounting to HK$2.2 million (31 December 2016: HK$5.0 million) other than mentioned above.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

Ms. LI Pik Yung
Mr. CHAN Chi Leung

Non-executive Directors

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

Independent non-executive Directors

Mr. WANG Guisheng
Mr. NG Wai Hung
Mr. CHAN Hak Kan, B.B.S., JP

In accordance with article 108 of the Company's articles of association, Mr. CHAN Chi Leung, Mr. TUNG Ching Sai, and Mr. NG Wai Hung will retire and being eligible, offer themselves for re-election at the Annual General Meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

(i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided to the executive Directors under their remuneration package; and

(iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the Share Option Scheme, as part of their remuneration package.

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

Save for the remuneration of HK$180,000 for each independent non-executive Director in 2017, none of the independent non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, B.B.S., JP and their mutual agreement with the Company.

Details of the remuneration of the Directors are set out in Note 31 to the consolidated financial statements in this annual report.

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

Except for the continuing connected transaction disclosed on pages 32 to 33 of this report and the related parties transactions disclosed in Note 29 to the consolidated financial statements in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

SHARE OPTION SCHEME

The following table sets forth movements in the share options of the Company for the year ended 31 December 2017:

	Grant date	Exercise price (HK$)	Exercisable period	At 1/1/2017	Number of share options Granted	Lapsed	At 31/12/2017
Executive directors							
– Ms. LI Pik Yung	1/8/2017	1.564	1/4/2020-31/3/2021	—	40,000	—	40,000
– Mr. CHAN Chi Leung	1/8/2017	1.564	1/4/2020-31/3/2021	—	40,000	—	40,000
Chief executive officer							
– Mr. SHI Chit Yuk	1/8/2017	1.564	1/4/2020-31/3/2021	—	40,000	—	40,000
Continuous contract employees	1/8/2017	1.564	1/4/2020-31/3/2021	—	192,000	—	192,000
Total				—	312,000	—	312,000

No shares were issued during the year ended 31 December 2017 in respect of the shares options granted as shown in the above table. As at 23 February 2018, a total of 312,000 option shares were still outstanding under the Share Option Scheme which represents approximately 0.06% of the issued ordinary shares of the Company.

A summary of the principal terms of the Share Option Scheme is as follows:

(i) Purpose

The Share Option Scheme is established to recognise and acknowledge the contributions the eligible participants (the "**Participants**") had or may have made to the Group and to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with the Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(ii) Participants

The Participants include: (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "**Invested Entity**") in which the Group holds any equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, any subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any consultants, advisers, managers, officers who provide re-search, development, other technological support or services to the Group or any Invested Entity; and (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and, for the purposes of the Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of persons.

(iii) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10 per cent. in nominal amount of the aggregate of shares in issue as at the date of approval of the Share Option Scheme (the "**Scheme Mandate Limit**"). The shares underlying any options granted under the Share Option Scheme or any other share option schemes of the Company which have been cancelled (but not options which have lapsed) will be counted for the purpose of the Scheme Mandate Limit.

Notwithstanding the above, the aggregate number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No share options may be granted under the Share Option Scheme if this will result in the limit being exceeded.

(iv) Maximum entitlement of each eligible participant

Unless with the approval of the Shareholders in general meeting, the maximum number of shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) 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 at the date of grant.

(v) Option period

The period during which the share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted. Save as determined by the Board and provided in the offer of the grant of the relevant share options, there is no minimum period for which a share option must be held before it can be exercised.

(vi) Acceptance and payment on acceptance

An offer for the grant of share options must be accepted within thirty days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK$1.00.

(vii) Option price for subscription of shares

The subscription price of a share in respect of any particular share option granted under the Share Option Scheme will be such price as determined by the Board in its absolute discretion, but in any event will not be less than the higher of:

(a) the official closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, which must be a business day;

(b) the average of the official closing prices of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of a Share.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 31 May 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management as at the date of this annual report are set forth on pages 13 to 15 of this annual report.

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

As at 31 December 2017, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in the shares of the Company

Director	Capacity	Name of the controlled corporations	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Mr. TUNG Ching Sai	Interest in a controlled corporation	Copark[1] (as defined below)	30,866,571	5.71
		Full Guang[3] (as defined below)	3,696,750	0.68
	Personal interest/ Spouse interest[1]		80,814,250	14.96
	Interest in persons acting in concert[2]		374,171,378	69.28

Notes:

(1) Mr. TUNG Ching Sai is the beneficial owner of all the issued share capital of Copark Investment Limited ("**Copark**"), a company incorporated in the BVI and wholly-owned by Mr. TUNG Ching Sai, which is the registered owner of 30,866,571 of our Shares. Mr. TUNG Ching Sai also has personal interest in 363,500 Shares held in his own name and 80,450,750 Shares held through his spouse, Madam SZE Tang Hung.

(2) Pursuant to the shareholders' agreement dated 25 June 2016 (the "**Shareholders' Agreement**"), the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under the Xinyi Glass Distribution (as defined in the Prospectus).

(3) The interests in our Shares are held through Full Guang Holdings Limited ("**Full Guang**"), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Mr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Mr. TUNG Ching Sai as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

(ii) Share options of the Company

Director/Chief Executive	Capacity	Number of share options outstanding	Approximate percentage of the issued share capital of the Company (%)
Ms. LI Pik Yung	Personal interest	40,000	0.01
	Spouse interest[(1)]	40,000	0.01
Mr. CHAN Chi Leung	Personal interest	40,000	0.01
Mr. SHI Chit Yuk	Personal interest	40,000	0.01
	Spouse interest[(1)]	40,000	0.01

Note:

(1) Ms. LI Pik Yung is the spouse of Mr. SHI Chit Yuk. They are deemed to have interest in the outstanding share options of each other.

Save as disclosed above, as at 31 December 2017, to the knowledge of the Company, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2017, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2017, the Company had been notified of the following substantial shareholder's interest and short positions being 5% or more of the issued share capital of the Company.

Long positions in the Shares of the Company

Name of the Shareholders	Nature of interest and capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Mr. LEE Yin Yee, B.B.S.	Interest in controlled corporation[(3)]	90,651,194	16.78
	Interest in controlled corporation[(1)]	3,696,750	0.68
	Personal interest[(3)]	28,451,250	5.27
	Interest in persons acting in concert[(2)]	374,171,378	69.28
Mr. TUNG Ching Bor	Interest in a controlled corporation[(4)]	33,345,807	6.17
	Interest in controlled corporation[(1)]	3,696,750	0.68
	Personal interest[(4)]	7,386,000	1.37
	Interest in persons acting in concert[(2)]	374,171,378	69.28

Name of the Shareholders	Nature of interest and capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Mr. LEE Sing Din	Interest in a controlled corporation[(5)]	31,449,386	5.82
	Interest in controlled corporation[(1)]	3,696,750	0.68
	Personal interest	2,596,250	0.48
	Interest in persons acting in concert[(2)]	374,171,378	69.28
Mr. LI Ching Wai	Interest in a controlled corporation[(6)]	14,572,608	2.70
	Interest in controlled corporation[(1)]	3,696,750	0.68
	Interest in persons acting in concert[(2)]	374,171,378	69.28
Mr. LI Man Yin	Interest in a controlled corporation[(7)]	9,880,238	1.83
	Interest in controlled corporation[(1)]	3,696,750	0.68
	Personal interest[(7)]	1,292,500	0.24
	Interest in persons acting in concert[(2)]	374,171,378	69.28
Mr. SZE Nang Sze	Interest in a controlled corporation[(8)]	14,283,847	2.64
	Interest in controlled corporation[(1)]	3,696,750	0.68
	Personal interest	835,000	0.15
	Interest in persons acting in concert[(2)]	374,171,378	69.28
Mr. NG Ngan Ho	Interest in a controlled corporation[(9)]	9,731,739	1.80
	Interest in controlled corporation[(1)]	3,696,750	0.68
	Personal interest	925,000	0.17
	Interest in persons acting in concert[(2)]	374,171,378	69.28
Mr. LI Ching Leung	Interest in a controlled corporation[(10)]	9,731,738	1.80
	Interest in controlled corporation[(1)]	3,696,750	0.68
	Personal interest[(10)]	3,561,250	0.66
	Interest in persons acting in concert[(2)]	374,171,378	69.28

Notes:

(1) The interests in our Shares are held through Full Guang, a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Mr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Mr. TUNG Ching Sai as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

(2) Pursuant to the Shareholders' Agreement entered amongst our controlling shareholders (as defined in the GEM Listing Rules), each of the parties has agreed to grant a right of first offer to the other parties if any of them intends to sell their Shares allotted to them under the Xinyi Glass Distribution.

(3) Mr. LEE Yin Yee, B.B.S.'s interests in 90,651,194 Shares are held through Realbest Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Yin Yee, B.B.S.. Mr. LEE Yin Yee, B.B.S.'s interests in 28,451,250 Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.

(4) Mr. TUNG Ching Bor's interests in 33,345,807 Shares are held through High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. TUNG Ching Bor's interests in 7,386,000 Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.

(5) Mr. LEE Sing Din's interest in Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din.

(6) Mr. LI Ching Wai's interests in Shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.

(7) Mr. LI Man Yin's interests in 9,880,238 Shares are held through Perfect All Investments Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Man Yin. Mr. LI Man Yin's interests in 1,292,500 Shares are held through a joint account with his spouse, Madam LI Sau Suet.

(8) Mr. SZE Nang Sze's interests in Shares are held through Goldpine Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.

(9) Mr. NG Ngan Ho's interests in Shares are held through Linkall Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. NG Ngan Ho.

(10) Mr. LI Ching Leung's interests in 9,731,738 Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung has personal interests in 3,511,250 Shares held in his own name and 50,000 Shares held through his spouse, Madam DY Maria Lumin.

Save as disclosed above, the Directors of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who had an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 December 2017.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

As far as the Directors are aware, during the year ended 31 December 2017, none of the Directors and their respective associates (as defined in the GEM Listing Rules) or the controlling shareholders (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete with the business of the Group. During the reporting period, the independent non-executive Directors have reviewed on behalf of the Company the compliance with Deed of Non-competition (as defined in the Prospectus) and are satisfied that the controlling shareholders of the Group and their associates have complied with the provisions of the Deed of Non-competition.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2017, appropriate insurance covering for the Directors' and senior management's liabilities arising out of activities of the Group has been arranged by the Company. As of the date of this annual report, such insurance covering remained effective.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed in the "Share Option Scheme" in the "Report of the Directors" section and Note 21 in the "Notes to the Consolidated Financial Statements" section to the annual report, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, sales to the Group's five largest customers accounted for approximately 30.5% of total sales and sales to the largest customer included therein amounted to approximately 11.7% of total sales. Purchases from the Group's five largest suppliers accounted for approximately 52% of total purchases during the year ended 31 December 2017 and purchases from the largest supplier included therein amounted to approximately 25.3% of total purchases. Xinyi Glass Group, which has the common controlling shareholders with the Group, is one of the Group's five largest suppliers, through Xinyi Group (Glass) Company Limited ("**Xinyi Glass (Hong Kong)**") and Xinyi International Investments Limited ("**Xinyi International**").

Save as disclosed above, none of the Directors, their associates (as defined in the GEM Listing Rules) or any of the shareholder of the Company which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any interest in the share capital of the Group's five largest customers and five largest suppliers during the year ended 31 December 2017.

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2017 amounted to HK$55 million (31 December 2016: Nil). Particulars of the bank borrowings are set out in Note 25 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As at 31 December 2017, we had about 234 full-time employees and most of them are based in the PRC and HK. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee. The Directors confirm that the Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products, services and business processes.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2017 are set out in Note 29 to the consolidated financial statements. The related party transactions fall under the definition of connected transactions and continuing connected transactions under the GEM Listing Rules and have complied with the requirements under Chapter 20 of the GEM Listing Rules. Some of these transactions also constitute "non-exempt continuing connected transactions" under Chapter 20 of the GEM Listing Rules, as identified below.

Non-exempt continuing connected transactions

During the year ended 31 December 2017, the Group had the following non-exempt continuing connected transactions, details of which are set out below:

Purchase of glass products

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

For the year ended 31 December 2017, the purchases of vehicle glass products by the Group from Xinyi Glass Group amounted to HK$4,013,000, which were within the maximum aggregate amount of the Glass Supply Framework Agreement.

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

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

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

In accordance with Rule 20.54 of the GEM Listing Rules, the Company's auditor was engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 32 to 33 of this annual report in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

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

INTEREST OF THE COMPLIANCE ADVISER

As notified by RHB Capital Hong Kong Limited ("**RHB Capital**"), save as the compliance adviser agreement entered into between the Company and RHB Capital dated 16 December 2015, neither RHB Capital, its close associates nor any of the directors or employees of RHB Capital who have been involved in providing advice to the Company, has or may have any interest in any securities of the Company or which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as of 31 December 2017.

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors, with written terms of reference in compliance with the requirements of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and risk management and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The audit committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the year ended 31 December 2017.

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

For the year ended 31 December 2017, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 1 June 2018, at 21st Floor, Rykadan Capital Tower, No.135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 3:00 p.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xyglsss.com.hk, and will be dispatched to the shareholders in due course.

On behalf of the Board
TUNG Ching Sai
Chairman

Hong Kong, 23 February 2018

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羅兵咸永道

To the Shareholders of Xinyi Automobile Glass Hong Kong Enterprises Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Xinyi Automobile Glass Hong Kong Enterprises Limited (the "Company") and its subsidiaries (the "Group") set out on pages 40 to 103, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Provision for inventories
- Valuation of investment in equity interest of an unlisted company

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision of inventories Refer to notes 4(a) and 17 to the consolidated financial statements As at 31 December 2017, the carrying value of the Group's inventories amounted to HK$42,503,000 (2016: HK$9,869,000), which consisted mainly of lithium battery products and automobile glasses for various car models. Inventories are carried at lower of cost and net realisable value in the consolidated financial statements. As the demand of lithium battery products are subject to future changes of technology development and automobile glasses are complementary to various car models that change from time to time, management applies judgement in estimating the net realisable value of inventories taking into consideration of a number of factors, including market data of lithium battery products and car models, gross margin of subsequent sales, sales and utilisation history, physical conditions and aging of inventories. For the year ended 31 December 2017, inventories amounted to HK$216,000 had been written off after management's assessment. We focus on this area because the carrying amount of inventories is a material balance to the consolidated balance sheet and judgements are involved in estimating the provision of inventories, which might have a significant financial impact to the consolidated financial statements.	**In assessing the provision of inventories, we have:** • Understood and evaluated the appropriateness and consistency of the basis management used in estimating the level of provision for inventories by comparing the historical accuracy of inventory provisioning, on a sample basis, to the realised amount; and the level of inventory write-offs during the year. • Performed physical inventory observation at year end to identify whether there is any damaged or obsolete inventory. • Checked, on a sample basis, the accuracy of inventories aging used by management to estimate the appropriate provision for inventories. • Performed audit analytics on stock holding and aging data to identify products with indication of slow moving or obsolescence. • Compared the carrying amounts of a sample of inventories to their net realisable value through a review of sales subsequent to the year end to check for completeness of the associated provision. • Reviewed the assessment performed by management, in particular whether the inventories not being provided for or written off could be supported by futures sales and continuous utilisation, by referencing to historical sales pattern and forecast sales, and our industry knowledge. Based on the procedures described above, we found that assumptions made by management in relation to the assessment on provision of inventories are supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter

Valuation of investment in equity interest of an unlisted company

Refer to notes 4(b) and note 16 to the consolidated financial statements

During the year, the Group has completed an acquisition of an 18% equity interest of an unlisted company (the "Investment"), which has a wind farm in the People's Republic of China (the "PRC") with grid-connection in 2017. The Investment was accounted for as an available-for-sale financial asset and requires subsequent re-measurement at fair value at each reporting date.

Independent external valuation was obtained to support the fair value of the available-for-sale financial asset to be HK$8,641,000 as at 31 December 2017. Related fair value gain recognised in other comprehensive income, net of tax, during the year then ended amounted to HK$4,178,000.

The fair value of the Investment was determined by using the discounted cash flow ("DCF") approach and various key assumptions and estimates, including electricity output, operational expenses and discount rate. The methodology, model and assumptions used in determining the fair value of available-for-sale financial asset not traded in an active market require judgement, which are mainly based on market conditions existing at each reporting date.

We focus on this area because the assumptions, estimates and valuation methodology require the use of significant judgements and estimates. These estimates are also subject to uncertainty.

In assessing the management's valuation of the Investment, we have:

- Assessed the competency, capability and objectivity of the independent professional valuer by considering its qualification, relevant experience and relationship with the Group.
- Involved our internal valuation specialist in our discussion with the external valuer and management to understand the rationale and assess the appropriateness and consistency of the methodology used and the assumptions and estimates applied.
- Our audit procedures in relation to management's key assumptions and estimates applied included:
  - assessed the appropriateness of the electricity output and operational expenses based on market research performed on renewable energy industry in the PRC and historical experience of the investee; and
  - evaluated the appropriateness of the discount rate by considering the investee's weighted average cost of capital and the risk profile of the investee.

Based on the procedures described above, we found the methodology used and key assumptions and estimates applied in the valuation of the Investment are supportable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Pui Ling Sandra.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 *HK$'000*	2016 *HK$'000*
Revenue	5	**110,305**	49,320
Cost of revenue	7	**(86,321)**	(35,229)
Gross profit		**23,984**	14,091
Other income	6	**5,600**	1,219
Other (losses)/gains, net	6	**(497)**	508
Selling and marketing costs	7	**(4,352)**	(3,177)
Administrative expenses	7	**(11,659)**	(11,155)
Operating profit		**13,076**	1,486
Finance income	9	**94**	61
Finance costs	9	**(95)**	—
Profit before income tax		**13,075**	1,547
Income tax expense	10	**(3,687)**	(1,484)
Profit for the year		**9,388**	63
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**7,475**	(1,946)
Change in the fair value of available-for-sale financial asset, net of tax		**4,178**	—
		11,653	(1,946)
Total comprehensive income/(loss) for the year attributable to owners of the Company		**21,041**	(1,883)
Basic and diluted earnings per share (HK cents per share)	11	**1.74**	0.01

The notes on pages 45 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	14	95,655	68,479
Leasehold land	15	8,581	8,881
Available-for-sale financial asset	16	8,641	—
Prepayments for plant and equipment	18	1,580	1,880
		114,457	79,240
Current assets			
Inventories	17	42,503	9,869
Trade receivables, other receivables and prepayments	18	47,995	11,557
Cash and cash equivalents	19	39,498	42,688
		129,996	64,114
Total assets		244,453	143,354
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	5,401	5,401
Reserves	22	118,005	96,935
Total equity		123,406	102,336
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	26	1,588	172
Current liabilities			
Trade and other payables	23	61,867	39,318
Current income tax liabilities		2,592	1,528
Bank borrowings	25	55,000	—
		119,459	40,846
Total liabilities		121,047	41,018
Total equity and liabilities		244,453	143,354

The consolidated financial statements on pages 40 to 103 were approved by Board of Directors on 23 February 2018 and were signed on its behalf.

TUNG Ching Sai
Chairman

CHAN Chi Leung
Executive Director

The notes on pages 45 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital HK$'000 (Note 20)	Share premium HK$'000 (Note 22)	Capital reserves HK$'000 (Note 22)	Share option reserves HK$'000 (Note 21)	Exchange reserves HK$'000	Available-for-sale reserves HK$'000 (Note 16)	Statutory reserves HK$'000 (Note 22)	Retained profit HK$'000	Total HK$'000
Balance as at 1 January 2017	5,401	36,175	13,587	2,922	(1,946)	—	—	46,197	102,336
Comprehensive income									
Profit for the year	—	—	—	—	—	—	—	9,388	9,388
Other comprehensive income									
Currency translation differences	—	—	—	—	7,475	—	—	—	7,475
Available-for-sale financial asset:									
– Change in the fair value	—	—	—	—	—	5,571	—	—	5,571
– Deferred tax	—	—	—	—	—	(1,393)	—	—	(1,393)
Total comprehensive income	—	—	—	—	7,475	4,178	—	9,388	21,041
Transactions with owners									
Employee's share option scheme:									
– Value of employee services (Note 21(a))	—	—	—	29	—	—	—	—	29
Appropriation to statutory reserve (Note 22(c))	—	—	—	—	—	—	615	(615)	—
	—	—	—	29	—	—	615	(615)	29
Balance as at 31 December 2017	5,401	36,175	13,587	2,951	5,529	4,178	615	54,970	123,406

	Share capital *HK$'000* (Note 20)	Share premium *HK$'000* (Note 22)	Capital reserves *HK$'000* (Note 22)	Share option reserves *HK$'000* (Note 21)	Exchange reserves *HK$'000*	Available-for-sale reserves *HK$'000* (Note 16)	Statutory reserves *HK$'000* (Note 22)	Retained profit *HK$'000*	Total *HK$'000*
Balance as at 1 January 2016	—	—	9,100	2,720	—	—	—	50,985	62,805
Comprehensive income									
Profit for the year	—	—	—	—	—	—	—	63	63
Other comprehensive loss									
Currency translation differences	—	—	—	—	(1,946)	—	—	—	(1,946)
Total comprehensive loss	—	—	—	—	(1,946)	—	—	63	(1,883)
Transactions with owners									
Employee's share option scheme:									
– Value of employee services (Note 21(b))	—	—	—	202	—	—	—	—	202
Issuance of ordinary sharesupon capitalisation issue (Note 20)	4,851	—	—	—	—	—	—	(4,851)	—
Issuance of ordinary shares upon initial public offering (Note 20, Note 22(b))	550	37,950	—	—	—	—	—	—	38,500
Share issuance costs	—	(1,775)	—	—	—	—	—	—	(1,775)
Listing expenses borne by Xinyi Glass(Note 22(a))	—	—	4,487	—	—	—	—	—	4,487
	5,401	36,175	4,487	202	—	—	—	(4,851)	41,414
Balance as at 31 December 2016	5,401	36,175	13,587	2,922	(1,946)	—	—	46,197	102,336

The notes on pages 45 to 103 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 *HK$'000*	2016 *HK$'000*
Cash flows from operating activities			
Cash (used in)/generated from operations	28	**(29,512)**	3,684
Interest paid		**(95)**	—
Income tax paid		**(2,725)**	—
Net cash (used in)/generated from operating activities		**(32,332)**	3,684
Cash flows from investing activities			
Purchase of an available-for-sale financial asset		**(2,834)**	—
Purchase of plant and equipment		**(25,109)**	(44,390)
Proceeds from disposal of plant and equipment		**290**	104
Repayment from a related company		**—**	26,848
Interest received		**94**	61
Net cash used in investing activities		**(27,559)**	(17,377)
Cash flows from financing activities			
Repayment of advances from related companies		**—**	(6,128)
Proceed from other borrowing		**—**	16,696
Repayment of other borrowing		**—**	(16,696)
Proceed from bank borrowings		**66,000**	—
Repayment of bank borrowings		**(11,000)**	—
Issuance of shares pursuant to the initial public offering		**—**	38,500
Transaction costs attributable to the initial public offering		**—**	(951)
Net cash generated from financing activities		**55,000**	31,421
Net (decrease)/increase in cash and cash equivalents		**(4,891)**	17,728
Cash and cash equivalents at beginning of the year		**42,688**	25,252
Effect of foreign exchange rate changes		**1,701**	(292)
Cash and cash equivalents at end of the year	19	**39,498**	42,688

The notes on pages 45 to 103 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together the "**Group**") are principally engaged in the business of the installation of automobile glass products in Hong Kong. In 2017, the Group also engaged in the production and sales of lithium battery products, the trading of forklift as well as the provision of wind farm management services and investment and development in wind farm projects (the "**Wind Farm related business**") in The People's Republic of China (the "**PRC**").

The shares of the Company has been listed on GEM of the Stock Exchange of Hong Kong ("**GEM**") since 11 July 2016 (the "**Listing**").

These consolidated financial statement are presented in thousands of units of Hong Kong dollars ("**HK$'000**") unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 February 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and the applicable requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared on a historical cost convention, as modified by the revaluation of available-for-sale financial asset, which are measured at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) Amended standards adopted by the Group:

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2017:

HKAS 7 (Amendments)	Disclosure initiative
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses

The adoption of these amended standards did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

(b) New and amended standards and interpretations not yet adopted

A number of new and amended standards and interpretations have been published that are not mandatory for the year ended 31 December 2017 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Annual Improvements Project HKFRS 1 and HKAS 28 (amendments)	Annual improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts (amendments)	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (amendments)	Transfers of investment property	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration (new interpretation)	1 January 2018
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established by HKICPA

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New and amended standards and interpretations not yet adopted (Continued)

HKFRS 9 Financial Instruments

Nature of changes

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The financial assets held by the Group include an equity instrument currently classified as available-for-sale financial asset for which a fair value through other comprehensive income ("FVOCI") election is available.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of this financial asset. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, there is no disposal of available-for-sale financial asset.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group do not expects a material increase in the loss allowance for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New and amended standards and interpretations not yet adopted (Continued)

HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The Group's revenue recognition policies are disclosed in Note 2.22. Currently, revenue from the Group's principal business, including the provision of automobile glass installation and repair services, the production and sales of lithium battery products and the trading of forklift, are recognised in profit or loss when a group entity has delivered goods and services to the customers, the customer has accepted the services/products and collectability of the related receivables is reasonably assured. Installation service of the products are provided at the point of sales and directors of the Company considered it will not affect the timing of the recognition of revenue going forward.

Revenue from provision for wind farm management service is recognised on straight-line basis over the term of the contract.

The directors of the Company, based on the results of an initial assessment, consider that the new standard does not have a significant impact on the consolidated financial statements.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New and amended standards and interpretations not yet adopted (Continued)

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$34,451,000.

However, the Group has not yet assessed what other adjustments, if any, are necessary, for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The directors of the Company is in the process of assessing the financial impact of the other new and amended HKFRSs, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

(a) Consolidation

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

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

(b) Separate financial statements

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

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

2.3 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses are presented in profit or loss within 'other (losses)/gains, net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leasehold land and plant and equipment

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

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

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

Leasehold land in Hong Kong is government-owned. The Group acquired the right to use certain land. The consideration paid for such right is treated as prepayment for operating lease and recorded as leasehold land, which is amortised over the lease period using the straight-line method. Depreciation of other plant and equipment is calculated using the straight-line method to allocate their costs to their residue values over the estimated useful lives.

Leasehold land	Over their lease period lives of 33 years
Storage containers and structures	20 to 30 years
Machinery	5 to 10 years
Furniture and fixtures	3 to 5 years
Motor vehicles	5 to 10 years
Leasehold improvements	5 to 10 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss within 'other (losses)/gains, net'.

2.6 Impairment of non - financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

2.8 Financial assets

(a) Classification

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(c) Measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from change in the fair value of equity instruments classified as available-for-sale financial asset and denominated in a foreign currency, including translation differences and other changes in the carrying amount, are recognised in other comprehensive income.

Dividends on available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

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

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

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

2.11 Trade and other receivables

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 2.8 for further information about the Group's accounting for trade receivables and note 2.10 for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with banks.

2.13 Share Capital

Ordinary shares are classified as equity.

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

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Operating lease (as the lessee for operating leases)

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) Pension obligations

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

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

(c) Bonus plans

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments

Equity settled share-based payment transactions

Share-based compensation benefits are provided to employees via the Company's employee share option share scheme.

The fair value of the options granted under the Company's employee option scheme is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

Prior to the Listing, the Group's former ultimate holding company, Xinyi Glass Holdings Limited ("**Xinyi Glass**") operates an equity-settled, share-based compensation plan.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Provisions

Provisions for warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 Revenue recognition

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

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

(a) Provision of automobile glass installation and repair services

Revenue from the provision of automobile glass installation/repair services is recognised when services are provided. Revenue from the provision of automobile glass installation and repair service is based on the price specified in the sales contracts.

(b) Production and sales of lithium battery products and trading of forklift

Revenue from the sales of lithium battery products and forklift are recognised when the Group has delivered the goods to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(c) Revenue for wind farm management service

Revenue from provision for wind farm management service is recognised when services are provided over time. Revenue from provision for wind farm management service is recognised on straight-line basis over the term of the contract.

(d) Interest income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Dividend distribution

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

2.24 Government grants

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

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

2.25 Financial guarantee

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group performs a liability adequacy test on inception of the guarantee and at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the profit or loss immediately.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2017, certain bank balances held by a subsidiary in the PRC, whose functional currency is RMB, were denominated in HK$. If HK$ has weakened/strengthened by 5% against RMB, with all other variables held constant, the profit before tax for the year would have been approximately HK$188,000 (2016: HK$640,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated bank balances.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from bank borrowings with variable rates, which expose the Group to cash flow interest rate risk. As at 31 December 2017, the Group's bank borrowings at variable rate was denominated in HK$.

As at 31 December 2017, if the interest rate on bank borrowings had been 100 basis points higher/lower than the prevailing interest rate, with all other variables held constant, post-tax profit for the year ended 31 December 2017 would have been approximately HK$550,000 (2016: Nil) lower/higher.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(b) Credit risk

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

	2017 HK$'000	2016 HK$'000
Trade and other receivables excluding prepayments and valued added tax recoverable (Note 18)	33,333	5,220
Cash at banks (Note 19)	39,157	42,530
Maximum exposure to credit risk	72,490	47,750

As at 31 December 2017, all the bank deposits were deposited with reputable banks in Hong Kong and the PRC. The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

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

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

As at 31 December 2017, trade receivables from the top five customers accounted for approximately 56% (2016: 50%) of the Group's trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

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

	Within one year or on demand *HK$'000*
As at 31 December 2017	
Trade and other payables	
Trade payables	**21,540**
Amounts due to related companies	**229**
Other payables for purchase of plant and equipment	**27,012**
Other creditors and accruals	**4,553**
Bank borrowings	**55,020**
	108,354
As at 31 December 2016	
Trade and other payables	
Trade payables	348
Accrued listing expenses	2,879
Other payables for purchase of plant and equipment	29,344
Other creditors and accruals	1,014
	33,585

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "bank borrowings" as shown in the consolidated balance sheet) less cash and cash equivalent.

The gearing ratios as at 31 December 2017 and 2016 were as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Bank borrowings (Note 25)	**55,000**	—
Less: cash and cash equivalent (Note 19)	**(39,498)**	(42,688)
Net debt	**15,502**	N/A
Total equity	**123,406**	N/A
Gearing ratio	**12.6%**	N/A

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

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

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
As at 31 December 2017				
Assets				
Available-for-sale financial asset	—	—	8,641	8,641
As at 31 December 2016				
Assets				
Available-for-sale financial asset	—	—	—	—

There were no transfers between levels 1, 2 and 3 during the year.

The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1. The Group does not have level 1 financial instruments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.The Group does not have level 2 financial instruments.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 *Fair value estimation (Continued)*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

	2017 *HK$'000*	2016 *HK$'000*
As at 1 January	—	—
Additions	2,834	—
Gain recognised in other comprehensive income	5,571	—
Currency translation differences	236	—
As at 31 December	8,641	—

There is no charge in unrealised gains or losses for the year included in profit or loss.

As at 31 December 2017, instruments included in level 3 represent unlisted equity interest, which was classified as available-for-sale financial asset.

The fair value of available-for-sale financial asset is determined using discounted cash flow approach. The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 31 December 2017 *HK$'000*	Fair value at 31 December 2016 *HK$'000*	Valuation technique	Significant Unobservable inputs	Range of inputs	Favourable/ (unfavourable) changes to fair value 2017 *HK$'000*	Favourable/ (unfavourable) changes to fair value 2016 *HK$'000*
Unlisted equity securities	8,641	—	Discounted cash flows	Electricity outputs	+5%	3,225	N/A
					–5%	(3,225)	N/A
				Operating expenses	+5%	407	N/A
					–5%	(407)	N/A
				Discount rate	+1%	(351)	N/A
					–1%	365	N/A

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

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

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

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

(b) Estimation of the fair value of an available-for-sale financial asset

During the year, the Group has completed the acquisition of an 18% equity interest of an unlisted company, which has a wind farm in the PRC with grid-connection in 2017. The Investment was accounted for as an available-for-sale financial asset and requires subsequent re-measurement at fair value at each reporting date. As at 31 December 2017, the carrying amount of the available-for-sale financial asset was approximately HK$8,641,000 (2016:Nil). The methodology, model, assumptions used in determining the fair value of available-for-sale financial asset not traded in an active market require judgement, which are mainly based on market conditions existing at each reporting date.

(c) Impairment of trade and other receivables

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

(d) Useful lives and residual values of plant and equipment

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (CONTINUED)

(f) Current and deferred income tax

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

5 SEGMENT INFORMATION

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

The executive directors determine the reportable segments from service/product perspective. The executive directors identified four operating segments, which represent the Group's reportable segments, respectively, including (1) sales of automobile glass with installation and repair services; (2) production and sales of lithium battery products; (3) trading of forklift; and (4) the operation of the Wind Farm related business in the PRC.

Sales of automobile glass with installation and repair services – The Group operates four service centres and a motorcade service team with 21 vehicles for the sales of automobile glass with installation and repair services in Hong Kong.

Production and sales of lithium battery products – During the year, the Group has commenced the manufacturing business of lithium battery products in the PRC.

Trading of forklift – During the year, the Group has commenced the trading business of forklift in the PRC.

Provision of the Wind Farm related business in the PRC – During the year, the Group has engaged in equity investment in Wind Farm projects and the provision of management services for Wind Farm operations. The executive directors regarded the Wind Farm related business in the PRC as a reportable segment as it is regarded as a potential growth segment which is expected to materially contribute to Group's revenue in the future.

The revenue from external parties reported to the management is measured in a manner consistent with that in profit or loss.

The executive directors assess the performance of the operating segments based on a measure of gross profit/loss.

5 SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December 2017				
	Sales of automobile glass with installation and repair services HK$'000	Production and sales of lithium battery products HK$'000	Trading of forklift HK$'000	Wind farm related business HK$'000	Total HK$'000
Revenue	50,675	27,221	31,869	540	110,305
Cost of revenue	(34,949)	(28,042)	(22,929)	(401)	(86,321)
Gross profit/(loss)	15,726	(821)	8,940	139	23,984
Depreciation charge of property, plant and equipment (note 7)	1,291	2,430	—	3	3,724
Amortisation charge (note 7)	300	—	—	—	300

	Year ended 31 December 2016				
	Sales of automobile glass with installation and repair services HK$'000	Production and sales of lithium battery products HK$'000	Trading of forklift HK$'000	Wind farm related business HK$'000	Total HK$'000
Revenue	49,320	—	—	—	49,320
Cost of revenue	(34,026)	(1,203)	—	—	(35,229)
Gross profit/(loss)	15,294	(1,203)	—	—	14,091
Depreciation charge of property, plant and equipment (note 7)	940	30	—	—	970
Amortisation charge (note 7)	300	—	—	—	300

5 SEGMENT INFORMATION (CONTINUED)

A reconciliation of segment gross profit to profit before income tax is provided as follows:

	2017 HK$'000	2016 HK$'000
Segment gross profit	23,984	14,091
Unallocated:		
Other income (Note 6)	5,600	1,219
Other (losses)/gains, net (Note 6)	(497)	508
Selling and marketing costs (Note 7)	(4,352)	(3,177)
Administrative expenses (Note 7)	(11,659)	(11,155)
Finance income (Note 9)	94	61
Finance costs (Note 9)	(95)	—
Profit before income tax	13,075	1,547

During the year, Customer A and B accounted for 12% (2016: Nil) and 10% (2016: Nil) of the total revenue of the Group, respectively. These revenue are attributed to the production and sales of lithium battery products segment.

An analysis of the Group's sales by geographical area of its customers is as follows:

	2017 HK$'000	2016 HK$'000
Hong Kong	50,675	49,320
The PRC	59,630	—
	110,305	49,320

5 SEGMENT INFORMATION (CONTINUED)

	Year ended 31 December 2017				
	Sales of automobile glass with installation and repair services *HK$'000*	Production and sales of lithium battery products *HK$'000*	Trading of forklift *HK$'000*	Wind farm related business *HK$'000*	Total *HK$'000*
Total assets	**45,540**	**168,378**	**20,070**	**9,936**	**243,924**
Total assets included: Additions to non-current assets during the year (other than financial instruments)	**739**	**24,040**	**—**	**330**	**25,109**
Total liabilities	**(8,302)**	**(52,274)**	**(2,757)**	**(1,598)**	**(64,931)**

	Year ended 31 December 2016				
	Sales of automobile glass with installation and repair services *HK$'000*	Production and sales of lithium battery products *HK$'000*	Trading of forklift *HK$'000*	Wind farm related business *HK$'000*	Total *HK$'000*
Total assets	54,148	84,808	—	—	138,956
Total assets included: Additions to non-current assets during the year (other than financial instruments)	2,528	66,790	—	—	69,318
Total liabilities	(8,329)	(29,350)	—	—	(37,679)

5 SEGMENT INFORMATION (CONTINUED)

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

	Assets		Liabilities	
	2017 **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000
Segment assets/(liabilities)	**243,924**	138,956	**(64,931)**	(37,679)
Unallocated:				
Prepayment, deposit and other receivables	**101**	98	**—**	—
Cash and bank balances	**428**	4,300	**—**	—
Other payables	**—**	—	**(996)**	—
Amounts due to related parties	**—**	—	**(120)**	(3,339)
Bank borrowings	**—**	—	**(55,000)**	—
Total assets/(liabilities)	**244,453**	143,354	**(121,047)**	(41,018)

An analysis of the Group's non-current assets other than available-for-sale financial asset by geographical area in which the assets are located is as follows:

	2017 **HK$'000**	2016 HK$'000
Hong Kong	**13,080**	13,931
The PRC	**92,736**	65,309
	105,816	79,240

6 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	2017 *HK$'000*	2016 *HK$'000*
Other income		
Government grants (Note a)	5,590	1,203
Others	10	16
	5,600	1,219
Other (losses)/gains, net		
Exchange (losses)/gains	(642)	404
Net disposal gain from plant and equipment (Note b)	145	104
	(497)	508

Note:

(a) Government grants mainly represent grants obtained from the PRC government in relation to the factory rental subsidy and tax subsidy (2016: factory rental subsidy).

(b) During the year ended 31 December 2017, the Group received HK$71,000 (2016: HK$79,000) from Hong Kong government for the incentive scheme for replacing Euro II diesel commercial vehicles.

7 EXPENSES BY NATURE

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

	2017 HK$'000	2016 HK$'000
Cost of inventories (Note 17)	**46,396**	12,144
Write-off of inventories	**216**	269
Advertising	**92**	99
Auditor's remuneration	**862**	750
Amortisation expenses (Note 15)	**300**	300
Depreciation expenses (Note 14)	**3,724**	970
Employee benefit expenses (including directors' emoluments) (Note 8)	**33,026**	19,995
Insurance expenses	**144**	248
Listing expenses	**—**	4,996
Motor vehicles expenses	**1,450**	1,176
Operating lease payments in respect of rented premises	**9,613**	6,251
Write-off of plant and equipment (Note 14)	**—**	39
Legal and professional fees	**1,144**	949
Utility expenses	**1,871**	128
Others	**3,494**	1,247
	102,332	49,561
Cost of revenue	**86,321**	35,229
Selling and marketing costs	**4,352**	3,177
Administrative expenses	**11,659**	11,155
	102,332	49,561

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 *HK$'000*	2016 *HK$'000*
Wages and salaries	**25,343**	13,529
Bonus	**5,630**	5,547
Share-based compensation (Note 21)	**268**	373
Pension costs - defined contribution scheme (Note (a))	**2,281**	546
Others	**945**	—
	34,467	19,995

Employee benefit expenses of HK$1,441,000 (2016: Nil) have been capitalised in inventories for the year ended 31 December 2017.

(a) Pension costs - defined contribution scheme

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

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

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

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

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group include two directors (2016: two) and the chief executive whose emoluments were reflected in the analysis presented in note 31. The emoluments paid to the remaining two (2016: two) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Wages and salaries	1,638	747
Bonus	541	662
Share-based compensation	27	48
Pension costs-defined contribution scheme	45	36
	2,251	1,493

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

	2017 HK$'000	2016 HK$'000
Nil - HK$1,000,000	1	2
HK$1,000,000 - HK$ 1,500,000	1	—

(c) During the year, no amounts were paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2016: Nil).

9 FINANCE INCOME AND COSTS

	2017 HK$'000	2016 HK$'000
Finance income		
Interest income from bank deposits	94	61
Finance costs		
Interest on bank borrowings	489	—
Less: amounts capitalised (Note)	(394)	—
	95	—
	(1)	61

Note:

The capitalisation rate of 2.59% (2016: None) used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year.

10 INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current income tax		
– Hong Kong profits tax	1,671	1,312
– PRC Corporate Income Tax	2,049	—
Deferred tax	(33)	172
	3,687	1,484

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2016: 16.5%).

Provision for the PRC Corporate Income Tax are calculated at 25% of estimated assessable profit for the year ended 31 December 2017.

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

	2017 HK$'000	2016 HK$'000
Profit before income tax	13,075	1,547
Calculated at a tax rate applicable to profit in the tax jurisdiction concerned	3,288	1,373
Income not subject to tax	(2)	(16)
Expenses not deductible for tax purposes	67	59
Unrecognised temporary difference	419	88
Recognition of previously unrecognised tax losses	(65)	—
Tax credit	(20)	(20)
Income tax expense	3,687	1,484

11 EARNINGS PER SHARE

(a) Basic

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

	2017	2016
Profit attributable to owners of the Company (HK$'000)	9,388	63
Weighted average number of ordinary shares in issue (thousands)	540,113	511,110
Basic earnings per share (HK cents per share)	1.74	0.01

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2017, diluted earnings per share for the year equals basic earnings per share as the exercise of the outstanding share options would be anti-dilutive (2016: no potential dilutive share).

12 DIVIDEND

No final dividend was declared during the year. (2016: Nil)

13 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2017:

Company Name	Place of incorporation and type of legal entity	Issued and paid up capital	Effective equity interest held by the Company (%) 2017	2016	Principal activities/place of operation
Indirectly owned:					
Xinyi Automobile Glass Company Limited ("Xinyi Automobile Glass")	Hong Kong, limited liability company	100,000 shares paid up to HK$100,000	**100%**	100%	Installation of automobile glass products, Hong Kong
Champion Goal Investments Limited	Hong Kong, limited liability company	10,000 shares paid up to HK$10,000	**100%**	100%	Investment holding, Hong Kong
Anhui Xinyi Power Source Company Limited* ("Xinyi Power Source") (安徽信義電源有限公司)	The PRC, Sino-Foreign equity joint ventures	RMB50,000,000	**100%**	100%	Research, production and sales of lithium battery products, trading of forklift and investment holding, the PRC
Xinyi Energy Storage Micro-grid Research Institute (Dongguan) Company Limited* 信義儲能微電網研究院(東莞)有限公司	The PRC, wholly foreign owned enterprise	RMB 834,000	**100%**	NA	Energy storage system development and sale, the PRC
Wuwei Xinyi Wind Power Company Limited* 無為信義風能有限公司	The PRC, wholly foreign owned enterprise	RMB 50,000	**100%**	NA	Wind power facility development and management, the PRC
Mengcheng Xinyi Wind Power Company Limited * 蒙城信義風能有限公司	The PRC, wholly foreign owned enterprise	RMB 50,000	**100%**	NA	Wind power facility development, the PRC

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

14 PLANT AND EQUIPMENT

	Storage containers and structures HK$'000	Furniture and fixtures HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Leasehold Improvements HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2016							
Cost	1,467	226	—	4,380	1,439	—	7,512
Accumulated depreciation	(175)	(99)	—	(3,009)	(727)	—	(4,010)
Net book amount	1,292	127	—	1,371	712	—	3,502
Year ended 31 December 2016							
Opening net book amount	1,292	127	—	1,371	712	—	3,502
Additions	18	340	511	1,423	1,674	63,472	67,438
Depreciation	(73)	(52)	(11)	(564)	(270)	—	(970)
Write-off	—	(1)	—	—	(38)	—	(39)
Currency translation differences	(1)	(8)	(11)	(9)	(3)	(1,420)	(1,452)
Closing net book amount	1,236	406	489	2,221	2,075	62,052	68,479
As at 31 December 2016							
Cost	1,485	556	500	5,560	2,779	62,052	72,932
Accumulated depreciation	(249)	(150)	(11)	(3,339)	(704)	—	(4,453)
Net book amount	1,236	406	489	2,221	2,075	62,052	68,479
Year ended 31 December 2017							
Opening net book amount	1,236	406	489	2,221	2,075	62,052	68,479
Additions	—	260	—	896	90	24,163	25,409
Transfer from construction in progress	—	—	68,670	—	1,219	(69,889)	—
Depreciation	(66)	(203)	(2,115)	(694)	(646)	—	(3,724)
Disposal	(19)	—	(2)	(124)	—	—	(145)
Currency translation differences	1	27	2,704	43	54	2,807	5,636
Closing net book amount	1,152	490	69,746	2,342	2,792	19,133	95,655
As at 31 December 2017							
Cost	1,467	849	71,958	6,122	4,146	19,133	103,675
Accumulated depreciation	(315)	(359)	(2,212)	(3,780)	(1,354)	—	(8,020)
Net book amount	1,152	490	69,746	2,342	2,792	19,133	95,655

Depreciation expenses of HK$2,365,000 (2016: HK$935,000) have been charged in cost of revenue, depreciation expenses of HK$378,000 (2016: HK$35,000) have been charged in administrative expenses for the year and depreciation expenses of HK$981,000 (2016: Nil) have been capitalised in inventories for the year (Note 7).

15 LEASEHOLD LAND

	HK$'000
Year ended 31 December 2016	
Opening net book amount	9,181
Amortisation	(300)
Closing net book amount	8,881
As at 31 December 2016	
Cost	10,005
Accumulated amortisation	(1,124)
Net book amount	8,881
Year ended 31 December 2017	
Opening net book amount	8,881
Amortisation	(300)
Closing net book amount	8,581
As at 31 December 2017	
Cost	10,005
Accumulated amortisation	(1,424)
Net book amount	8,581

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

	2017 HK$'000	2016 HK$'000
Leasehold land in Hong Kong held on:		
Lease below 50 years	8,581	8,881

16 AVAILABLE-FOR-SALE FINANCIAL ASSET

Available-for-sale financial asset includes the following:

	2017 HK$'000	2016 HK$'000
Non-current assets		
Unlisted equity interest	8,641	—
	8,641	—

During the year, the Group has completed an acquisition of an 18% equity interest of an unlisted company from Xinyi Energy Smart (Wuhu) Company Limited, a wholly-owned subsidiary of Xinyi Glass, a related party. The unlisted company has a wind farm in the PRC with grid-connection in 2017. The equity investment was accounted for as an available-for-sale financial asset and requires subsequent re-measurement at fair value at each reporting date. This unlisted equity interest is denominated in RMB.

Available-for-sale financial asset includes HK$8,641,000 (2016: Nil) of equity interest held in an entity that are controlled by Xinyi Glass.

During the year, the following gain was recognised in other comprehensive income.

	2017 HK$'000	2016 HK$'000
Gain recognised in other comprehensive income, net of tax	4,178	—

Information about the methods and assumptions used in determining fair value is provided in note 3.3. The available-for-sale financial asset is not impaired.

17 INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	9,819	677
Work in progress	6,242	—
Finished goods	26,258	8,881
Other consumables	184	311
	42,503	9,869

The cost of inventories recognised as expense and included in cost of revenue amounted to HK$46,396,000 (2016: HK$12,144,000) for the year (Note 7).

18 TRADE AND OTHER RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Trade receivables (Note (a))		
– Third parties	**20,752**	4,185
– Related companies (note 29(d))	**982**	—
	21,734	4,185
Bills receivables (Note (b))	**6,707**	—
Prepayments	**5,855**	3,359
Value added tax recoverable	**10,387**	4,858
Deposits and other receivables	**4,892**	1,035
	49,575	13,437
Less: non-current portion	**(1,580)**	(1,880)
Current portion	**47,995**	11,557

Notes:

(a) Trade receivables

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

	2017 *HK$'000*	2016 *HK$'000*
0 - 60 days	**16,687**	2,592
61 - 180 days	**4,942**	1,411
181 - 365 days	**64**	182
Over 365 days	**41**	—
	21,734	4,185

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(a) Trade receivables (Continued)

As at 31 December 2017, trade receivables of HK$4,066,000 (2016: HK$1,593,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables based on due date is as follows:

	2017 *HK$'000*	2016 *HK$'000*
0 - 60 days	3,439	1,411
61 - 180 days	561	154
Over 180 days	66	28
	4,066	1,593

(b) Bills receivables

The maturity dates of bills receivables are within 6 months.

(c) The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	2017 *HK$'000*	2016 *HK$'000*
HK$	6,504	5,450
RMB	43,071	7,987
	49,575	13,437

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

19 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash at banks	39,157	42,530
Cash on hand	341	158
	39,498	42,688

Bank balances and cash are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	21,100	42,482
RMB	18,398	206
	39,498	42,688

As at 31 December 2017, the Group had cash and banks balances amounted to approximately HK$21,985,000 (2016: HK$12,803,000), which was held at banks in the PRC. These cash and bank balances are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

20 SHARE CAPITAL

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

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

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

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

20 SHARE CAPITAL (CONTINUED)

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

	Numbers of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each	2,000,000,000,000	20,000,000
Ordinary shares, issued and fully paid:		
As at 1 January 2016	699.00	—
Capitalisation issue of shares	485,112,263.38	4,851
Issuance of ordinary shares upon initial public offering	55,000,000.00	550
As at 31 December 2016 and 31 December 2017	540,112,962.38	5,401

21 SHARE-BASED PAYMENTS

(a) Share Option Scheme Established in 2017

In May 2017, the Company adopted a share option scheme ("Share Option Scheme 2017") which will be valid for a period of ten years from the date of adoption of the scheme. Under the Share Option Scheme 2017, the Company's directors may, at their sole discretion, grant options to any employee of the Group to subscribe for shares of the Company at the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average official closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme 2017 and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares in issue on the Adoption date, the date on which the Share Option Scheme 2017 becomes unconditional upon fulfillment of the conditions of (i) passing by the shareholders of an ordinary resolution at the Annual General Meeting to approve the adoption of the share option scheme; and (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the shares to be issued pursuant to the exercise of any share options which may be granted under the share option scheme, unless the Company obtains further approval from the shareholders.

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme 2017 and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time. Grant of options to directors, chief executives or substantial shareholders must be approved by the independent non-executive directors of the Company.

21 SHARE-BASED PAYMENTS (CONTINUED)

(a) Share Option Scheme Established in 2017 (Continued)

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

	2017		2016	
	Average exercise price in HK$ per share	**Options (unit)**	Average exercise price in HK$ per share	Options (unit)
As at 1 January	—	—	—	—
Granted	**1.56**	**312,000**	—	—
As at 31 December	**1.56**	**312,000**	—	—

On 1 August 2017, 312,000 share options were granted to the Chief Executive Officer of the Company, two executive directors of the Company and certain employees of the Group. The exercise price is HK$1.56 per share, which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 1 August 2017 to 31 July 2021. One third of the options will vest on each of the year-end date of 2017, 2018 and 2019 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2020 to 31 March 2021.

Out of the above outstanding share options, no options were exercisable as at 31 December 2017 (2016: Nil).

These outstanding share options as at 31 December 2017 have the following expiry dates and exercise prices:

Expiry Date	**Average exercise price in HK$ per share**	**2017 Units**	2016 Units
31 March 2021	1.56	**312,000**	—
		312,000	—

21 SHARE-BASED PAYMENTS (CONTINUED)

(a) Share Option Scheme Established in 2017 (Continued)

The weighted average fair values of these options granted were determined using the Black-Scholes valuation model, which were performed by an independent valuer, Greater China Appraisal Limited, and were approximately HK$0.47 (2016: Nil) per option respectively. The significant inputs into the model are as follows:

	1 August 2017
Weighted average share price, at the grant date (HK$)	1.49
Exercise price (HK$)	1.56
Volatility (%)	46.28%
Dividend yield (%)	0.00%
Expected share option life (years)	3.17
Annual risk-free interest rate (%)	0.97%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year. Share-based compensation of HK$29,000 (2016: Nil) were recognised in the profit or loss for share options granted under the share option scheme 2017 to the directors and employees of the Group during the year.

(b) Share Option Scheme Established in 2005

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

(i) The closing price of shares of the Xinyi Glass as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant;

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

(iii) The nominal value of Xinyi Glass shares.

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

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme 2005 and any other share option scheme of Xinyi Glass must not, in aggregate, exceed 10% of the shares in issue upon completion of the placing and the captalisation issue of the shares of Xinyi Glass, unless Xinyi Glass obtains further approval from the shareholders. Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme 2005 and any other share option scheme of Xinyi Glass must not, in aggregate, exceed 30% of the relevant shares or securities of Xinyi Glass in issue from time to time.

21 SHARE-BASED PAYMENTS (CONTINUED)

(b) *Share Option Scheme Established in 2005 (Continued)*

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

	2017		2016	
	Average exercise price in HK$ per share	Options (unit)	Average exercise price in HK$ per share	Options (unit)
As at 1 January	5.37	847,000	5.34	1,069,000
Granted	—	—	4.81	317,000
Exercised	6.84	(246,000)	4.94	(513,000)
Forfeited	—	—	5.55	(26,000)
As at 31 December	4.77	601,000	5.37	847,000

Out of the above outstanding share options, 22,000 options (2016: nil) were exercisable as at 31 December 2017. During 2017, 246,000 options was being exercised (2016: 513,000).

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

Expiry Date	Average exercise price in HK$ per share	2017 Units	2016 Units
31 March 2018	6.84	22,000	268,000
31 March 2019	4.55	268,000	268,000
31 March 2020	4.81	311,000	311,000
		601,000	847,000

21 SHARE-BASED PAYMENTS (CONTINUED)

(b) Share Option Scheme Established in 2005 (Continued)

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

	16 March 2016
Weighted average share price, at the grant date (HK$)	4.81
Exercise price (HK$)	4.81
Volatility (%)	36.99%
Dividend yield (%)	4.63%
Expected share option life (years)	3.54
Annual risk-free interest rate (%)	1.00%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year. Share-based compensation of HK$239,000 (2016: HK$373,000) were recognised in the profit or loss for share options granted under the share option scheme 2005 to the directors and employees of the Group during the year. During the year ended 31 December 2016, share-based compensation prior to the Listing of HK$202,000 were not recharged by Xinyi Glass and were credited to reserve.

22 OTHER RESERVES

(a) Capital reserves

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

During the year, no capital reserve (2016: HK$4,487,000) have been recognised as capital contribution from Xinyi Glass.

(b) Share premium

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

(c) Statutory reserve

The PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

During the year ended 31 December 2017, the respective board of directors of certain PRC subsidiaries of the Group resolved to appropriate approximately HK$615,000 (2016: Nil) from retained earnings to statutory reserve.

23 TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables (Note (a))		
– Third parties	21,195	152
– Related companies (Note 29 (d))	345	196
	21,540	348
Amounts due to related companies (non-trade) (Note (b))	229	—
Accrued salaries and bonus	8,533	5,733
Accrued listing expenses	—	2,879
Other payables for purchase plant and equipment	27,012	29,344
Other creditors and accruals	4,553	1,014
	61,867	39,318

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

	2017 HK$'000	2016 HK$'000
HK$	8,473	9,966
RMB	53,394	29,352
	61,867	39,318

(a) *Trade payables*

	2017 HK$'000	2016 HK$'000
Within 30 days	12,991	348
31-90 days	7,637	—
91-180 days	850	—
Over 180 days	62	—
Total	21,540	348

(b) *Amounts due to related companies (non-trade)*

As at 31 December 2017, the amounts due to related companies are denominated in HK$, and were unsecured, interest-free and repayable on demand (Note 29(d)).

24 BANKING FACILITIES

As at 31 December 2017, the Company has given guarantees totaling HK$60,000,000 to financial institutions in connection with the banking facilities granted to a subsidiary of the Group.

As at 31 December 2017, the group has undrawn borrowing facilities of HK$5,000,000 (31 December 2016: HK$10,000,000), which are annual facilities expiring within one year and subject to review during 2018.

25 BANK BORROWINGS

	2017 *HK$'000*	2016 *HK$'000*
Bank borrowings guaranteed	**55,000**	—

Bank borrowings represent the loan drawn by the Group which are due for repayment within one year. The carrying amounts of the Group's bank borrowings approximate their fair values and are denominated in HK$. As at 31 December 2017, the effective interest rate of the bank borrowings was 2.36% (2016: Nil).

26 DEFERRED INCOME TAX

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

	2017 *HK$'000*	2016 *HK$'000*
As at 1 January	**172**	—
Currency translation differences	**56**	—
Credited to profit or loss	**(33)**	172
Charged to other comprehensive income	**1,393**	—
As at 31 December	**1,588**	172

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

26 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities:

	Accelerated tax depreciation *HK$'000*	Accumulated gain on available-for-sale financial asset *HK$'000*	Total *HK$'000*
As at 1 January 2016, 31 December 2016 and 1 January 2017	172	—	172
Currency translation differences	—	56	56
Credited to profit or loss	(33)	—	(33)
Charged to other comprehensive income	—	1,393	1,393
As at 31 December 2017	**139**	**1,449**	**1,588**

Deferred income tax liabilities of HK$615,000 (2016: Nil) have not been recognised for withholding tax that would be payable on the undistributed retained profits amounting to HK$6,150,000 (2016: Nil) of the Company's subsidiaries in the PRC earned after 1 January 2008. Such amounts are not intended to be distributed in the foreseeable future to the Group companies outside of the Mainland China.

27 COMMITMENTS

(a) Operating lease commitments

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

The future aggregate minimum lease payments under non-cancellable operating leases in relation to office, shop premises, warehouse and production facilities are as follows:

	2017 *HK$'000*	2016 *HK$'000*
Not later than one year	**10,472**	8,885
Later than one year and not later than five years	**23,979**	25,444
More than five years	**—**	3,066
	34,451	37,395

27 COMMITMENTS (CONTINUED)

(b) *Capital commitment*

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

	2017 *HK$'000*	2016 *HK$'000*
Property, plant and equipment		
Contracted but not provided for	**6,246**	14,960

28 CASH GENERATED FROM OPERATIONS

	2017 *HK$'000*	2016 *HK$'000*
Cash flows from operating activities		
Profit before income tax	**13,075**	1,547
Adjustments for:		
– Interest expenses	**95**	—
– Interest income	**(94)**	(61)
– Depreciation expenses	**3,724**	970
– Amortisation expenses	**300**	300
– Share-based compensation	**29**	202
– Write-off plant and equipment	**—**	39
– Write-off of inventories	**216**	269
– Net disposal gain from plant and equipment	**(145)**	(104)
– Listing expenses borne by Xinyi Glass (Note a)	**—**	3,304
	17,200	6,466
Changes in working capital:		
– Inventories	**(34,159)**	(948)
– Trade and other receivables	**(38,361)**	(2,479)
– Trade and other payables	**25,808**	645
Cash (used in)/generated from operations	**(29,512)**	3,684

28 CASH GENERATED FROM OPERATIONS (CONTINUED)

(a) Non-cash transaction

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

(b) Reconciliation of liabilities arising from financing activities

No non-cash changes in financing activities during the year ended 31 December 2017.

29 RELATED PARTY TRANSACTIONS

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

As at 31 December 2017, the Group is controlled by Mr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung acting in concert, (collectively as the "controlling party") which in aggregate owns 69.28% (2016: 58.66%) of the Company's shares.

Save as disclosed elsewhere in the financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business, and balances arising from related party transactions.

(a) Name and relationship with related parties

Name of related parties	Relationship with the Company
Xinyi Glass	Mr. TUNG Ching Sai and Mr. LEE Shing Kan are directors of Xinyi Glass
Xinyi Solar Holdings Limited ("**Xinyi Solar**")	Mr. TUNG Ching Sai is a director of Xinyi Solar
Cheer Wise Investments Limited ("**Cheer Wise**")	A joint venture of Xinyi Glass and Xinyi Solar
Mr. LEE Shing Kan ("**Mr. LEE**")	Non-executive director
Mr. TUNG Fong Ngai ("**Mr. TUNG**")	Close family member of one of the controlling shareholders

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) *Transactions with related parties*

During the year, the following transactions were carried out with related parties:

	2017 HK$'000	2016 HK$'000
– Purchase of automobile glass from subsidiaries of Xinyi Glass (Note i)	**4,013**	3,491
– Share option expenses recharged by Xinyi Glass (Note ii)	**239**	171
– Sales of forklift battery chargers to subsidiaries of Xinyi Glass (Note i)	**358**	—
– Sales of forklift battery chargers to subsidiaries of Xinyi Solar (Note i)	**38**	—
– Management fee received from Xinyi Glass (Note iii)	**540**	—
– Operating lease payments in respect of office premises paid to Cheer Wise (Note i)	**120**	40
– Operating lease payments in respect of shop premises paid to Mr. LEE and Mr. TUNG (Note i)	**456**	456

Notes:

i. Purchase of automobile glass, sales of forklift battery charges and rental expenses are paid with price and terms mutually agreed with related parties.

ii. After the Listing, share option expenses in relation to the Share Option Scheme Established in 2005 were charged at expenses incurred by Xinyi Glass.

iii. Management fee represented service fee of managing wind farm in PRC, which is mutually agreed with Xinyi Glass.

(c) *Key management compensation*

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

	2017 HK$'000	2016 HK$'000
Wages and salaries	**3,970**	3,250
Bonus	**3,118**	3,636
Share-based compensation	**161**	257
Pension costs – defined contribution scheme	**104**	128
	7,353	7,271

29 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2017 *HK$'000*	2016 *HK$'000*
Trade		
Trade payables due to subsidiaries of Xinyi Glass	(345)	(196)
Trade receivables due from subsidiaries of Xinyi Glass	982	—
Non - trade		
Amounts due to subsidiaries of Xinyi Glass	(229)	—

Non-trade amounts due to related parties were unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due to related parties approximate to their fair values and are denominated in HK$.

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	2017 *HK$'000*	2016 *HK$'000*
ASSETS		
Non - current asset		
Investment in subsidiaries	66,595	66,595
Current asset		
Prepayment and deposits	101	97
Amount due from subsidiaries	57,850	59,586
Cash and cash equivalents	428	3,677
	58,379	63,360
Total assets	124,974	129,955
EQUITY		
Share capital	5,401	5,401
Reserves (Note a)	118,457	121,215
Total equity	123,858	126,616
LIABILITIES		
Current liability		
Other payables	1,116	3,339
Total liabilities	1,116	3,339
Total equity and liabilities	124,974	129,955

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company

Note (a) Reserve movement of the Company

	Share premium *HK$'000*	Capital reserves *HK$'000*	(Accumulated losses)/ retained profit *HK$'000*	Total *HK$'000*
Balance as at 1 January 2016	66,594	9,000	(13,460)	62,134
Profit for the year	—	—	23,270	23,270
Listing expenses borne by Xinyi Glass	—	4,487	—	4,487
Issuance of ordinary shares upon capitalisation issue	—	—	(4,851)	(4,851)
Issuance of ordinary shares upon the initial public offering	37,950	—	—	37,950
Share issuance costs	(1,775)	—	—	(1,775)
Balance as at 31 December 2016 and 1 January 2017	102,769	13,487	4,959	121,215
Loss for the year	—	—	(2,758)	(2,758)
Balance as at 31 December 2017	**102,769**	**13,487**	**2,201**	**118,457**

31 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director and the chief executive officer for the year ended 31 December 2017 is set out below:

	Emoluments paid or payable in respect of a person's services as a director/ chief executive whether of the Company or its subsidiary undertaking					
Name	Fees *HK$'000*	Wages and salaries *HK$'000*	Bonus *HK$'000*	Share – based compensation *HK$'000*	Pension costs – defined contribution scheme *HK$'000*	Total *HK$'000*
Executive directors:						
LI Pik Yung	—	447	294	25	18	784
CHAN Chi Leung	—	839	103	18	18	978
Non - executive directors:						
TUNG Ching Sai	—	—	—	—	—	—
LEE Shing Kan	—	—	—	—	—	—
Independent non - executive directors:						
WANG Guisheng	180	—	—	—	—	180
NG Wai Hung	180	—	—	—	—	180
CHAN Hak Kan	180	—	—	—	—	180
Chief executive officer:						
SHI Chit Yuk	—	372	2,159	88	18	2,637
	540	1,658	2,556	131	54	4,939

31 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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

(a) Directors' emoluments

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

During the year, none of the directors waived the remuneration and there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2016: none).

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

31 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

There are no loans, quasi-loan or other dealings in favour of the directors, their controlled bodies corporate by and connected entities with such directors (2016: Nil).

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

Save as disclosed in the notes to those consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

32 CONTINGENCIES

The Company and the Group did not have contingent liabilities as at 31 December 2017 (2016: Nil).

FINANCIAL SUMMARY

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

	Year ended 31 December			
	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS				
Revenue	**110,305**	49,320	45,864	42,505
Cost of revenue	**(86,321)**	(35,229)	(28,357)	(25,719)
Gross profit	**23,984**	14,091	17,507	16,786
Profit/(Loss) before income tax	**13,076**	1,547	(2,649)	11,932
Income tax expense	**(3,687)**	(1,484)	(1,894)	(1,999)
Profit/(Loss) for the year attributable to owners of the Company	**9,388**	63	(4,543)	9,933

	As at 31 December			
	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Total assets	**244,453**	143,354	78,550	67,085
Total liabilities	**(121,047)**	(41,018)	(15,745)	(9,107)
Equity attributable to owners of the Company	**123,406**	102,336	62,805	57,978