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

2018 ANNUAL REPORT

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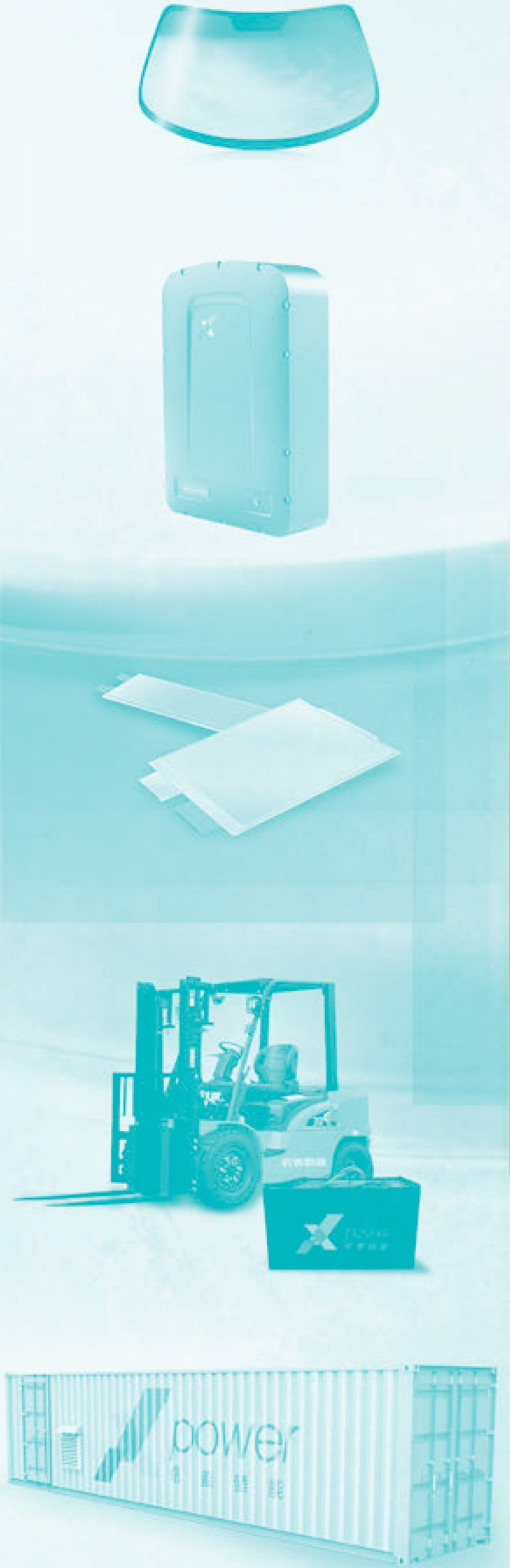

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CORPORATE INFORMATION

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
Clifton House
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
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
Bank of China
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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

COMPANY'S WEBSITE

www.xyglass.com.hk

SHARE INFORMATION

Place of listing: GEM of the Stock Exchange
Stock code: 08328
Listing date: 11 July 2016
Board lot: 4,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this annual report: HK$1.93
Market capitalisation as of the date of this annual report: Approximately HK$1,251 million

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (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 2018.

For the year ended 31 December 2018, the Group recorded a 54.5% increase in revenue from HK$110.3 million in 2017 to HK$170.4 million in 2018. The profit attributable to owners of the Company increased by 529.5% from HK$9.4 million in 2017 to HK$59.1 million in 2018.

I present below an overview of the business of the Group during 2018 and key development highlights for the coming year.

BUSINESS REVIEW

Battery Pack and Energy Storage Systems and Lithium Battery Products Business - Contributed Substantial Revenue Growth by Providing Comprehensive Solutions and Value-Added Services

The 13th Five-year Plan has included energy storage as one of the key research and development ("**R&D"**) areas. After more than 10 years of demonstration, application and development, China's energy storage industry has entered the important initial stage of commercialisation. Lithium battery technology has rapidly developed, while cost of battery production continues to drop. Hence, the lithium energy storage battery sector has become more competitive and the application of these batteries in the energy storage field has gradually widened, creating a market with enormous development potentials. According to data from a market institute, the compound annual growth rate of the output value of the Chinese lithium energy storage industry is expected to remain above 20% in the next five years. Guided by clear market foresight, the Group has actively tapped the business opportunities in the market by gradually ramping up commercial production of its lithium battery line in mid-2017 and the sales of battery pack and energy storage systems over the past two years.

The Group has strived to provide comprehensive application and technological services of power supply products and quality differentiated solutions to customers, through self-production of lithium batteries and continuous improvement in technological functions of energy storage systems, uninterruptible power supply ("**UPS**") and forklift battery packs. Besides, the Group meets the demand for battery pack and energy storage systems of different customers by developing customised product solutions according to customers' specifications and applications. During the year ended 31 December 2018, the Group has provided battery pack system products to two major lithium battery forklift manufacturers as well as offered industrial energy storage and UPS products to manufacturing corporations. The Group has also sold lithium batteries to forklift manufacturers, and forklifts and related accessories including chargers to different corporate customers. The Group dedicates to become a comprehensive solution provider in the battery pack and energy storage systems industry, through fully utilising the extended value chain to provide value-added services to customers.

In addition to the sales of existing products, efforts were made to develop other new battery pack and energy storage system products such as micro energy storage products. The Group focuses on the optimisation of production technology of batteries as well as the R&D of battery packs for forklifts, for commercial, industrial and residential energy storage, the R&D of battery management systems ("BMS") and system integration, etc. At the same time, the Group accelerates product upgrade through innovation and R&D, while lowering the cost and maintaining product competitiveness through technological advancement.

Automobile Glass Repair and Replacement Business – Stable Revenue Growth Consolidated the Group's Business Foundation

During the year ended 31 December 2018, the Group has adopted active marketing and sales strategies, as well as enhanced its close business relationship with insurance companies. The Group currently provides services through four service centres and a mobile service fleet of 21 vehicles. In the future, Xinyi Hong Kong will adhere to this active marketing and sales strategy, in order to reinforce and diversify its customer base. The Group strives to continuously optimise service quality and efficiency, enlarge the market share of its core businesses in Hong Kong, and to solidify its overall business foundation in the long run.

BUSINESS OUTLOOK

Owing to the decline in cost of lithium batteries and the benefits from favourable policies in energy storage market, Xinyi Hong Kong expects that the battery pack and energy storage system business will remain as the Group's profit driver. Noting the bright future of the lithium battery industry, in order to meet the fast-growing market demand, the Group expects to expand the annual production capacity of its production base from 300 million watt-hours to over 1.3 billion watt-hours in the coming two years. Besides, the Group will fully utilise the strengths of its vertically-integrated industrial chain to continuously reduce costs, enhance key technologies as well as increasing the market competitiveness of its products.

CONCLUSION

Our Group has successfully demonstrated our ability to maintain the market leadership in the Hong Kong automobile glass repair and replacement market. We remain optimistic about our future development and look forward to generating further growth.

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

TUNG Ching Sai
Chairman

22 February 2019

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group has production facilities for lithium battery products in the Wuhu City, Anhui Province, China, which commenced commercial sale of lithium battery products in the third quarter of 2017. Products of the Group are installed mainly in integrated systems comprising lithium batteries, battery management systems, and/or other components such as energy management systems and power conditioning systems. The Group is also engaged in the development, processing and sale of energy storage facilities with lithium batteries, like large-scale power banks for manufacturing facilities to facilitate load shifting and power stabilization, UPS and power banks for households. The Group also engaged in the provision of contract processing services of battery pack and energy storage products to customers. The first energy storage product has been delivered for sale since January 2018. Two of the Group's customers for power batteries and battery pack system are engaged in the production of forklifts. The Group has also agreed with these two customers to source from them forklifts for the trading of forklift business, contributing an additional source of revenue for the Group. The Group is preparing to set-up a production plant for lithium battery and energy storage products in Zhangjiagang, Jiangsu Province, China. Following the commercial production, the total annual production capacity for lithium battery products and battery pack and energy storage system products of the Group is expected to increase from 300 million watt-hours to 1.3 billion watt-hours in two years.

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

Since the third quarter of 2017, the Group has provided wind farm management services to Xinyi Wind Power (Jinzhai) Company Limited, a company which the Group has held 18% equity interest.

The Group recorded satisfactory results for the year of 2018. Sales increased by 54.5% from HK$110.3 million in 2017 to HK$170.4 million in 2018. The profit attributable to owners of the Company increased by 529.5% from HK$9.4 million in 2017 to HK$59.1 million in 2018.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Group's revenue was HK$170.4 million (2017: HK$110.3 million), representing an increase by 54.5% mainly attributable to the increase in revenue contributed by battery pack and energy storage system products business. These business activities have started to contribute revenue to the Group since the third quarter of 2017. The increase in demand for sales of automobile glass with installation and repair services also contributed to an increase in the revenue of the Group. The following sets forth an analysis of the revenue of the Group:

Revenue — by segment

	Year Ended 31 December					
	2018		2017		Increase/(decrease)	
	HK$'million	***%***	*HK$'million*	*%*	*HK$'million*	*%*
Battery pack and energy storage system	**80.6**	**47.3**	27.2	24.7	53.4	196.3
Production and sales of lithium battery products	**19.4**	**11.4**	—	—	19.4	N/A
Sales of automobile glass with installation and repair services	**56.1**	**32.9**	50.7	45.9	5.4	10.7
Others:						
Trading of forklift	**12.5**	**7.3**	31.9	28.9	(19.4)	(60.8)
Wind farm related business	**1.8**	**1.1**	0.5	0.5	1.3	260.0
Total revenue	**170.4**	**100.0**	110.3	100.0	60.1	54.5

Revenue — by geographical area

	Year Ended 31 December					
	2018		2017		Increase	
	HK$'million	***%***	*HK$'million*	*%*	*HK$'million*	*%*
Mainland China	**114.3**	**67.1**	59.6	54.1	54.7	91.8
Hong Kong	**56.1**	**32.9**	50.7	45.9	5.4	10.7
	170.4	**100.0**	110.3	100.0	60.1	54.5

Cost of revenue and gross profit

Cost of revenue comprised of HK$57.0 million (2017: HK$28.0 million) arising from the battery pack and energy storage system business, HK$19.3 million (2017: Nil) arising from lithium battery products business, HK$36.9 million (2017: HK$34.9 million) arising from the sales of automobile glass with installation and repair services business, HK$11.2 million (2017: HK$23.3 million) arising from others (trading of forklifts and wind farm related business).

Cost of revenue for the battery pack and energy storage system business of HK$57.0 million (2017: HK$28.0 million) and cost of revenue of lithium battery products business of HK$19.3 million (2017: Nil) mainly represent the material cost, labour cost, depreciation expenses and rental expenses of the factory premises. There is a gross loss for the battery pack and energy storage system business for the year end 31 December 2017 while it turns around to a gross profit in the year ended 31 December 2018 mainly because the commercial sale starts in the third quarter of 2017 whereas the related rental expenses prior to commercial sale were charged in costs of revenue for 2017. Such rental expenses were fully refundable from the government of the People's Republic of China (the "**PRC**") which gave rise to a corresponding other income in both years.

Cost of revenue arising from sales of automobile glass with installation and repair services increased by approximately 5.7% from HK$34.9 million for the year ended 31 December 2017 to approximately HK$36.9 million for the year ended 31 December 2018. The gross profit increased by 22.9% from approximately HK$15.7 million for the year ended 31 December 2017 to approximately HK$19.3 million for the year ended 31 December 2018. The increase in cost of revenue of 5.7% was lower than the percentage increase in revenue because the rental and the other overhead expenses (including labour costs) were generally stable.

Cost of revenue of others mainly comprise of the purchase cost of forklifts and the staff costs for the wind farm related business.

Other income

Other income included HK$5.2 million (2017: HK$5.6 million) factory rental subsidy and tax subsidy from the PRC government.

Other gains/(losses), net

Other gains for the year ended 31 December 2018 mainly includes the net gains on disposal of old facilities, scraps or plant and equipment arising from the site preparation of the lithium battery production plant under construction (2017: from the operation of our existing lithium battery production plant) offset with exchange losses.

Expenses

Selling and marketing costs for the year ended 31 December 2018 increased by approximately HK$1.8 million which was mainly due to increase in advertisement and marketing costs.

Administrative expenses increased by approximately HK$15.9 million from HK$11.7 million for the year ended 31 December 2017 to approximately HK$27.5 million for the year ended 31 December 2018, primarily due to the increase in research and development costs for lithium battery, battery pack systems and energy storage products of HK$5.9 million, increase in emoluments of HK$6.5 million paid to the staff and directors and increase in audit fee and other professional fee of HK$0.8 million.

Finance Costs

The Group's finance costs increased from HK$0.1 million (or HK$0.5 million before capitalisation) for the year ended 31 December 2017 to HK$0.5 million (or HK$0.9 million before capitalisation) for the year ended 31 December 2018. The increase was mainly attributable to higher weighted average carrying amount of bank borrowings during the year to finance the capital expenditures for its lithium battery production facilities. During the year under review, interest expense of HK$0.3 million (2017: HK$0.4 million) 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

The Group incurred income tax expenses of HK$14.4 million for the year ended 31 December 2018 (2017: HK$3.7 million), which represented Hong Kong profits tax payable and PRC corporate income tax. The effective tax rates was 19.6% for the year ended 31 December 2018 (2017: 28.2%) which is in between the applicable tax rates of 15% to 25% for different group entities. The effective tax rate is lower than 2017 mainly due to the fact that one of the PRC subsidiary, being qualified as New and High Technology Enterprise, is entitled to a preferential Corporate Income Tax rate of 15% and tax incentives for research and development tax credit.

Profit before income tax and net profit for the year

The Group recorded profit before income tax for the year ended 31 December 2018 of HK$73.5 million (2017: HK$13.1 million). This was mainly attributable to the performance of the Group as analysed above.

The profit attributable to owners of the Company increased by 529.5% from HK$9.4 million in 2017 to HK$59.1 million in 2018.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2018, the Group's primary source of funding included its own working capital, the net proceeds from the listing (the "**Listing**") on GEM of the Stock Exchange on 11 July 2016 (the "**Listing Date**"), the net proceeds from the rights issue (the "**Rights Issue**") in May 2018 and bank borrowings. As at 31 December 2018, the Group had net current assets of HK$247.7 million (31 December 2017: HK$10.5 million) and cash and cash equivalents of HK$213.9 million (31 December 2017: HK$39.5 million) which were placed with major banks in Hong Kong and the PRC. As at 31 December 2018, the Group did not have any bank borrowings (31 December 2017: HK$55.0 million) and had unutilised banking facilities of HK$60.0 million (31 December 2017: HK$5.0 million).

Gearing ratio was not applicable as at 31 December 2018 as the Group has no bank borrowing as at 31 December 2018. The Group's gearing ratio calculated based on bank borrowings less cash and cash equivalents divided by the shareholders' equity of the Group was 12.6% as at 31 December 2017.

CAPITAL STRUCTURE

The shares (the "**Shares**") of the Company have been listed on GEM since 11 July 2016. Apart from the Rights Issue in May 2018, these are no material change in the capital structure of the Company since the Listing Date. The capital of the Group comprises only ordinary shares.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK$24.9 million for year ended 31 December 2018 (2017: HK$25.1 million) which was mainly related to the development and construction of lithium battery production facilities in the PRC.

Capital commitments contracted for but not provided for by the Group as at 31 December 2018 amounted to HK$1.9 million (31 December 2017: HK$6.2 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 2018 and 2017.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 269 (31 December 2017: 234) full-time employees of whom 213 (31 December 2017: 184) were based in the PRC and 56 (31 December 2017: 50) were based in Hong Kong. The total staff costs, including the emoluments of the Directors, amounted to HK$50.7 million (2017: HK$34.5 million) for the year ended 31 December 2018. 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 2018 (2017: Nil).

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group mainly operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars ("**HK$**") and Chinese Renminbi ("**RMB**"). Exchange rate fluctuations between RMB and HK$ could affect the Group's performance and asset value.

Amid the recent depreciation (2017: appreciation) of RMB against HK$, the Group reported non-cash translation loss – a decrease in the reserve of its consolidated balance sheet of HK$10.8 million (2017: non-cash translation gain of HK$7.5 million), when converting RMB-denominated assets and liabilities into HK$ at 31 December 2018.

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$0.8 million (2017: HK$0.6 million) as HK$ fluctuates against RMB during the year ended 31 December 2018.

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 2018, 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 2018 as stated in the prospectus of the Company dated 28 June 2016 (the "Prospectus")	Implementation plan	Actual business progress up to 31 December 2018
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 our 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 7 additional technicians.
	— Develop mobile apps and online facility to allow online reservations and payments for our vehicle glass repair and replacement services.	The Group has added additional contents and functions to the Company's website to allow customers to place ordering request online.
	— Set up a new service centre by purchasing shop premises in East Kowloon to expand our network of service centres.	The Group has not found a satisfactory shop premises and resolved to change the implementation plan. Please refer to the section headed "Use of proceeds from the Listing" for details.

Business strategies up to 31 December 2018 as stated in the Prospectus	Implementation plan	Actual business progress up to 31 December 2018
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.
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 seven 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 2018.
	— 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 purposes in accordance with the future plans and use of proceeds as set out in the Prospectus except for the change of the use of net proceeds stated in the announcement dated 27 July 2018.

During the period from the Listing Date to 31 December 2018, 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 1) *HK$'million*	Changed use of proceeds (Note 2) *HK$'million*	Actual usage *HK$'million*
Expansion of service capacity	28.4	5.8	5.8
Improvement in customer service facilities and service quality	1.3	1.3	1.3
Sales and marketing	1.4	1.4	1.4
Repayment of bank borrowings	—	22.6	22.6
General working capital	0.7	0.7	0.7
Total	31.8	31.8	31.8

Notes:

(1) This sum represents an aggregate amount of the planned use of proceeds from the Listing Date to 31 December 2018 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.

(2) As stated in the Prospectus, the Group plans to set-up a service centre in East Kowloon by acquiring shop premises with estimated amount of HK$22.4 million for the establishment. Following the Listing, the Group has been looking for suitable shop premises but the prices have been increasing to the extent that the Group does not consider it appropriate to invest such significant amount to properties which are not held for investment purpose. The Directors also consider that the net proceeds can be better utilised to generate a more attractive return to the shareholders of the Company (the "**Shareholders**"). Following the expansion of the Tokwawan service centre after the Listing Date, the Directors revisited the capacity utilisation of the Group and do not consider that the Group would imminently require such a new service centre. As at 27 July 2018, the Board has therefore unanimously resolved to change the use of net proceeds from the Listing of approximately HK$22.6 million originally allocated for expansion of service capacity to the repayment of outstanding bank borrowings. Please refer to the announcement dated 27 July 2018 for details.

USE OF PROCEEDS OF RIGHTS ISSUE

In May 2018, the Company raised net proceeds of approximately HK$198.9 million by way of Rights Issue of 108,022,591 rights shares. The table below sets out the proposed applications of the net proceeds and actual utilisation up to 31 December 2018.

	Proposed applications of the net proceeds *HK$'million*	Amount utilised up to 31 December 2018 *HK$'million*	Unutilised balance as at 31 December 2018 *HK$'million*
Set-up new production lines for lithium batteries business	135.4	4.0	131.4
Repay the outstanding capital expenditure of the existing lithium battery production facilities	24.7	14.9	9.8
General working capital	38.8	38.8	—
Total	198.9	57.7	141.2

To the extent that the net proceeds from the Rights Issue are not immediately required for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with licensed banks and/or financial institutions in Hong Kong and/or the PRC.

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

As at 31 December 2018, there were no significant investments held which exceed 5% of the total assets of the Group. There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2018. Save as the disclosed plan to increase the annual capacity of lithium battery production from 300 million watt hours to about 1.3 billion watt hours, there were no other plans authorised by the Board for any material investments or additions of capital assets as at the date of this report.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liability (31 December 2017: Nil).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. TUNG Ching Sai (董清世), aged 53, is a non-executive Director and our Chairman and is responsible for the formulation of our Group's overall business strategy. Mr. TUNG joined our Group since December 1996. Mr. TUNG has been working with Xinyi Glass Holdings Limited ("**Xinyi Glass**"), a company listed on the Stock Exchange (stock code: 00868), and its subsidiaries ("**Xinyi Glass Group**") for 30 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass, and the vice chairman and executive director of Xinyi Solar Holdings Limited ("**Xinyi Solar**"), a company listed on the Stock Exchange (stock code: 00968). Mr. TUNG is a standing committee member of the twelve session of the Guangxi Zhuang Autonomous Regional Committee of the Chinese People's Political Consultative Conference, a member of the executive committee of All-China Federation of Industry and Commerce, chairman of the Happy Hong Kong Foundation, president of Hong Kong Industrial & Commercial Association, and vice chairman of the China Architectural and Industrial Glass Association. Mr. TUNG 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 graduated from the Sun Yat-Sen University with a senior executive master degree in business administration. Mr. TUNG 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 46, 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, as well as the daily operations of our vehicle glass repair and replacement business. Ms. LI has been working for the Group for over 20 years and was promoted as our executive Director in December 2015. Ms. LI is a niece of Mr. TUNG Ching Sai and a cousin of Mr. LEE Shing Kan.

Mr. CHAN Chi Leung (陳志良), aged 38, is our executive Director, Financial Controller, Company Secretary, and Compliance Officer. 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 39, is our non-executive Director. Mr. LEE joined our Group since April 2004. Mr. LEE has been working in Xinyi Glass for over 13 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 a committee member of the Fujian Province Committee of the Chinese People's Political Consultative Conference of Fujian Province. Mr. LEE was a director of Tung Wah Group of Hospitals from 2012 to 2014. Mr. LEE is a nephew of Mr. TUNG Ching Sai and a cousin of Ms. LI Pik Yung. Mr. LEE is the son of Dr. 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 49, is our independent non-executive Director since June 2016. 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). From May 2011 to March 2018, Mr. WANG served as an executive director and the chief financial officer of Man Wah Holdings Limited, a company listed on the Stock Exchange (stock code: 01999). Currently, Mr. WANG is the chief financial officer of Shenzhen Smoore Technology Limited (深圳麥克韋爾股份有限公司), a company listed on National Equities Exchange and Quotations System (stock code: 834742) 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 55, is our independent non-executive Director since June 2016. 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 42, is our independent non-executive Director since June 2016. 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, April 2011 to March 2017, and July 2012 to June 2018, 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, the HKSAR Marine Fish Scholarship Fund Advisory Committee, and Beat Drugs Fund Association Governing Committee, respectively. Mr. CHAN has been a member of the HKSAR Legislative Council, Tung Wah Group of Hospitals Advisory Board and ICAC Advisory Committee on Corruption since October 2008, 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. NG Ngan Ho (吳銀河), aged 54, our chief executive officer and is responsible for overseeing the daily operations and management of our Group. Mr. NG joined our Group since July 2016 and was promoted as our chief executive officer since November 2018. Mr. NG joined Xinyi Glass in August 2003 and was responsible for overseeing the finance and procurement of the industrial park in Dongguan, the PRC of Xinyi Glass. Mr. NG was appointed as an executive director of Xinyi Glass on 25 June 2004 and has been re-designated as one of its non-executive directors since 1 July 2007.

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 2018.

The Company has applied the principles of the CG Code 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 2018.

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 and a cousin of Ms. LI Pik Yung.

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. NG Ngan Ho 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. NG 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. NG 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 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, board committee meetings and general meetings in 2018 are as follows:

	Meetings attended/held				
Directors	**Board meetings**	**Audit committee meetings**	**Nomination committee meetings**	**Remuneration committee meetings**	**General meetings**
Mr. TUNG Ching Sai	8/8	-/-	1/1	-/-	2/2
Ms. LI Pik Yung	8/8	-/-	-/-	-/-	2/2
Mr. CHAN Chi Leung	8/8	-/-	-/-	-/-	2/2
Mr. LEE Shing Kan	8/8	-/-	-/-	2/2	2/2
Mr. WANG Guisheng	8/8	4/4	1/1	2/2	2/2
Mr. NG Wai Hung	7/8	4/4	1/1	-/-	2/2
Mr. CHAN Hak Kan, B.B.S., JP	8/8	4/4	-/-	2/2	2/2

At least four Board meetings are scheduled to be held during the year ending 31 December 2019.

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 Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2018.

REMUNERATION COMMITTEE

The 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 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. 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. During the year ended 31 December 2018, two meetings of the Remuneration Committee were held to discuss and review such matters.

Details of remuneration of the Directors and the chief executive, representing senior management of the Company, is set out in Note 31 to the consolidated financial statements of the Group.

AUDIT COMMITTEE

The 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 2018 has been reviewed by the Audit Committee.

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. 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. During the year ended 31 December 2018, the Audit Committee held four meetings for reviewing the quarterly, interim, and annual financial results and reports as well as the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors.

NOMINATION COMMITTEE

The 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 was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The primary duties of the Nomination Committee are to review the structure, size and diversity (including the skills, knowledge and experience) of the Board on a regular basis, assess the independence of independent non-executive Directors of the Company, and make recommendations to the Board regarding the appointment, retirement and re-election of Directors. During the year ended 31 December 2018, a meeting of the Nomination Committee was held to discuss, review and assess such matters.

NOMINATION POLICY

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

— Reputation for integrity;

— Achieve board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

— Merit and contribution that candidate will bring to the Board;

— Compliance with the criteria of independence as prescribed under the GEM Listing Rules for the appointment of an independent non-executive Director if the proposed candidate will be nominated as an independent non-executive Director; and

— Able to devote sufficient time and attention to the Company's business.

The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a Shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board.

Procedures for Shareholders' nomination of any proposed candidate for election as a Director are stated in "Procedures for Shareholders to Propose a Director" and disclosed in the Company's website.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S REMUNERATION

The professional fee charged by the external auditor of the Company, PricewaterhouseCoopers, for the year ended 31 December 2018 in respect of the auditing services is disclosed in the notes to the financial statements of the Group, which is HK$1,100,000.

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 2018.

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 2018 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 2018.

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 AND PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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 2018.

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 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal 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 2018 is set out in the consolidated statement of profit or loss and other comprehensive income on page 45 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

BUSINESS REVIEW AND PROSPECTS

A business review of the Group for the year ended 31 December 2018 and its future development is set out in the Chairman's Statement from pages 3 to 4 and Management Discussion and Analysis from pages 5 to 12 of this annual report.

USE OF PROCEEDS FROM THE PUBLIC OFFERING OF SHARES AND THE RIGHTS ISSUE

Details of the intended uses and utilised amount are set out on pages 11 and 12 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's lithium battery and energy storage products production may generate air pollutants, waste water and other industrial waste at different stages of the production process. To ensure compliance with the applicable PRC environmental protection laws and regulations, the Group has implemented the following environmental protection measures:

— *Exhaust air:* The Group adopted de-ionized water, which is totally no harmful to the environment when vaporized, as a solvent for mixing of anode powders. N-Methyl Pyrrolidone (NMP) is used as cathode solvent and its recovery rate is over 95% by using the condensing technique to realize continuous recapturing and air purification.

— *Solid wastes:* Packaging material for different raw materials and chemicals, scrap electrodes and general domestic waste are the major solid wastes. Most of the packaging materials were returned to the suppliers or sold to recycling companies.

Lithium battery is a renewable energy product, which can reduce the reliance on traditional fuels and cause less damage to the environment and resources. Compared with conventional batteries, lithium-ion batteries feature an array of advantages including high energy density, light weight, tiny size, long life cycle and quick charging. They are also known as "green and new energy products" since they are free of heavy metals such as lead, cadmium and do not contain toxic substances.

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 2018 and will publish it on the Stock Exchange's website and the Company's website on or before 28 June 2019.

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 2018, 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:

Battery pack and energy storage system, and lithium battery products business

— The levels of demand and supply of battery pack and energy storage system, and 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 stable supply of raw materials for its production requirement.

Automobile glass repair and replacement business

— Our business and financial conditions and operating results depend on the constant supply of automobile 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 automobile glass.

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

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 9 and section headed "Financial Risk Management" in Note 3 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the consolidated results of the Group for the past five years ended 31 December 2018 and the consolidated assets and liabilities of the Group as of 31 December 2014, 2015, 2016, 2017 and 2018 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 2018 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 21 to the consolidated financial statements in this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**"), pursuant to which the Company may distribute dividends to the Shareholders by way of cash or shares. Any distribution of dividends shall be in accordance with the Articles and the distribution shall achieve continuity, stability and sustainability.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. The Board takes into account the following factors when considering the declaration and payment of dividends:

- liquidity position of the Company;
- financial results;
- Shareholders' interests;
- general business conditions and strategies;
- capital requirements;
- contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any;
- taxation considerations;
- possible effects on the creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2018, share premium amounting to HK$300.6 million (31 December 2017: 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 2018, the Company had no distributable reserve available for distribution to Shareholders (31 December 2017: HK$2.2 million) other than mentioned above.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles 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, Ms. LI Pik Yung, Mr. LEE Shing Kan, and Mr. CHAN Hak Kan, B.B.S., JP will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "**Annual General Meeting**").

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the annual 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'S 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, options pursuant to the share option scheme of the Company (the "**Share Option Scheme**"), as part of their remuneration package.

None of the non-executive Directors receives any 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 2018, 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 36 to 38 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 or an entity connected with 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 2018.

SHARE OPTION SCHEME

The following table sets forth movements in the share options of the Company for the year ended 31 December 2018:

	Grant date	Exercise price# (HK$)	Exercisable period	Number of share options At 1/1/2018	Granted	Adjustment for Rights Issue#	Forfeited	At 31/12/2018
Executive directors								
– Ms. LI Pik Yung	1/8/2017	1.523	1/4/2020 - 31/3/2021	40,000	—	1,088	—	41,088
	13/8/2018	1.946	1/4/2021 - 31/3/2022	—	44,000	—	—	44,000
– Mr. CHAN Chi Leung	1/8/2017	1.523	1/4/2020 - 31/3/2021	40,000	—	1,088	—	41,088
	13/8/2018	1.946	1/4/2021 - 31/3/2022	—	44,000	—	—	44,000
Chief executive officer								
– Mr. SHI Chit Yuk	1/8/2017	1.523	1/4/2020 - 31/3/2021	40,000	—	1,088	(41,088)	—
(resigned on 14 November 2018)	13/8/2018	1.946	1/4/2021 - 31/3/2022	—	44,000	—	(44,000)	—
Continuous contract employees	1/8/2017	1.523	1/4/2020 - 31/3/2021	192,000	—	5,229	(19,328)	177,901
	13/8/2018	1.946	1/4/2021 - 31/3/2022	—	552,000	—	—	552,000
Total				312,000	684,000	8,493	(104,416)	900,077

Adjusted in May 2018 upon the completion date of the Rights Issue of the Company. The adjustments were made in accordance with the terms of the Share Option Scheme, the requirement set forth in Chapter 23 of the GEM Listing Rules and the "Supplementary Guidance on GEM Listing Rule 23.03(13) and the Note immediately after the Rule"

No shares were issued during the year ended 31 December 2018 in respect of the shares options granted as shown in the above table. As at 22 February 2019, a total of 703,206 option shares were still outstanding under the Share Option Scheme which represents approximately 0.11% 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 research, 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 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 2018, 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/ Chief Executive	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(3) (as defined below)	37,039,885	5.71
		Full Guang(1) (as defined below)	4,436,100	0.68
	Personal interest/ Spouse interest(3)		96,977,100	14.96
	Interest in persons acting in concert(2)		449,005,649	69.28
Mr. NG Ngan Ho	Interest in a controlled corporation	Linkall(4) (as defined below)	11,798,086	1.82
		Full Guang(1) (as defined below)	4,436,100	0.68
	Personal interest		1,110,000	0.17
	Interest in persons acting in concert(2)		449,005,649	69.28

Notes:

(1) The interests in Shares are held through Full Guang Holdings Limited ("**Full Guang**"), a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 19 December 2005. Full Guang is owned by Dr. 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 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) 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 37,039,885 of our Shares. Mr. TUNG Ching Sai also has personal interest in 436,200 Shares held in his own name and 96,540,900 Shares held through his spouse, Madam SZE Tang Hung.

(4) Mr. NG Ngan Ho is the beneficial owner of all the issued share capital of Linkall Investment Limited ("**Linkall**"), a company incorporated in the BVI and wholly-owned by Mr. NG Ngan Ho.

(ii) Share options of the Company

Director	Capacity	Number of share options outstanding	Approximate percentage of the issued share capital of the Company (%)
Ms. LI Pik Yung	Personal interest	85,088	0.01
Mr. CHAN Chi Leung	Personal interest	85,088	0.01

Save as disclosed above, as at 31 December 2018, 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 2018, the register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2018, the Company had been notified of the following substantial shareholders' 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 Shares held	Percentage of the issued share capital of the Company (%)
Dr. LEE Yin Yee, B.B.S.	Interest in controlled corporation(3)	108,781,432	16.78
	Interest in controlled corporation(1)	4,436,100	0.68
	Personal interest(3)	34,141,500	5.27
	Interest in persons acting in concert(2)	449,005,649	69.28
Mr. TUNG Ching Bor	Interest in a controlled corporation(4)	40,014,968	6.17
	Interest in controlled corporation(1)	4,436,100	0.68
	Personal interest(4)	8,863,200	1.37
	Interest in persons acting in concert(2)	449,005,649	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)	37,739,263	5.82
	Interest in controlled corporation(1)	4,436,100	0.68
	Personal interest	3,115,500	0.48
	Interest in persons acting in concert(2)	449,005,649	69.28
Mr. LI Ching Wai	Interest in a controlled corporation(6)	17,487,129	2.70
	Interest in controlled corporation(1)	4,436,100	0.68
	Interest in persons acting in concert(2)	449,005,649	69.28
Mr. LI Man Yin	Interest in a controlled corporation(7)	11,856,285	1.83
	Interest in controlled corporation(1)	4,436,100	0.68
	Personal interest(7)	1,551,000	0.24
	Interest in persons acting in concert(2)	449,005,649	69.28
Mr. SZE Nang Sze	Interest in a controlled corporation(8)	17,140,616	2.64
	Interest in controlled corporation(1)	4,436,100	0.68
	Personal interest	1,002,000	0.15
	Interest in persons acting in concert(2)	449,005,649	69.28
Mr. LI Ching Leung	Interest in a controlled corporation(9)	11,678,085	1.80
	Interest in controlled corporation(1)	4,436,100	0.68
	Personal interest(9)	4,273,500	0.66
	Interest in persons acting in concert(2)	449,005,649	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 Dr. 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) Dr. LEE Yin Yee, B.B.S.'s interests in 108,781,432 Shares are held through Realbest Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Dr. LEE Yin Yee, B.B.S.. Dr. LEE Yin Yee, B.B.S.'s interests in 34,141,500 Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.

(4) Mr. TUNG Ching Bor's interests in 40,014,968 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 8,863,200 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 11,856,285 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 1,551,000 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. LI Ching Leung's interests in 11,678,085 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 4,213,500 Shares held in his own name and 60,000 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 2018.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

As far as the Directors are aware, during the year ended 31 December 2018, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) and their respective associates (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete with the business of the Group or have any other conflicts of interest which any such person has or may have with 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 2018, appropriate insurance covering for the Directors' and senior management's liabilities arising from or incidental to execution of duties of his/her office has been arranged by the Company. Permitted indemnity provision is currently inforce and was inforce throughout the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed in the "Share Option Scheme" in the "Report of the Directors" section and Note 22 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 2018, sales to the Group's five largest customers accounted for approximately 59% of total sales and sales to the largest customer included therein amounted to approximately 30% of total sales. Purchases from the Group's five largest suppliers accounted for approximately 50% of total purchases during the year ended 31 December 2018 and purchases from the largest supplier included therein amounted to approximately 18% of total purchases. Xinyi Glass Group, which has the common controlling shareholders with the Group, is one of the Group's five largest customers and one of the Group's five largest suppliers, through its several subsidiaries.

Save as disclosed above, none of the Directors, their close 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 beneficial interest in any of the Group's five largest customers and five largest suppliers during the year ended 31 December 2018.

BANK BORROWINGS

As at 31 December 2018, the Group did not have any bank borrowings (31 December 2017: HK$55.0 million). 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 2018, we had about 269 full-time employees and most of them are based in the PRC and Hong Kong. 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. Details of the employee benefit expenses of the Group for the year ended 31 December 2018 are set out in Note 8 to the consolidated financial statements. 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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2018 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 (as disclosed below) 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. Save for the aforementioned, other related party transactions as set out in Note 29 to the consolidated financial statement were entitled to full exemption from the annual review and disclosure requirements under Chapter 20 of the GEM Listing Rules.

Non-exempt continuing connected transactions

During the year ended 31 December 2018, the Group had the following non-exempt continuing connected transactions, details of which are set out below:

(1) *Purchase of glass products*

On 14 December 2015, the Group entered into a glass supply framework agreement ("**Glass Supply Framework Agreement**") with Xinyi International Investments Limited and Xinyi Group (Glass) Company Limited, 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 years ended 31 December 2016, 2017 and 2018 respectively. 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 2018, the purchases of vehicle glass products by the Group from Xinyi Glass Group amounted to HK$5,494,000, 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.

(2) *Processing of lithium battery energy storage facilities*

On 26 February 2018, the Group entered into lithium battery energy storage facilities ("**LESF**") processing framework agreement ("**Xinyi Glass Processing Framework Agreement**") with Xinyi Group (Glass) Company Limited, a subsidiary of Xinyi Glass and LESF processing framework agreement ("**Xinyi Solar Processing Framework Agreement**") with Xinyi Solar (Hong Kong) Limited, a subsidiary of Xinyi Solar, pursuant to which the Group is commissioned by Xinyi Glass Group and Xinyi Solar and its subsidiaries ("**Xinyi Solar Group**") to process LESF. The maximum aggregate amount to be received under the Xinyi Glass Processing Framework Agreement was set at RMB48 million (equivalent to HK$59.3 million) and RMB32 million (equivalent to HK$39.5 million) respectively for the years ended 31 December 2018 and 2019. The maximum aggregate amount to be received under the Xinyi Solar Processing Framework Agreement was set at RMB10 million (equivalent to HK$12.3 million) for each of the years ended 31 December 2018 and 2019, respectively. Xinyi Glass and Xinyi Solar are companies with common controlling shareholders with the Company, and are therefore connected persons of the Company under the GEM Listing Rules. Accordingly, the Xinyi Glass Processing Framework Agreement and Xinyi Solar Processing Framework Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

For the year ended 31 December 2018, the processing and sale of LESF products by the Group to Xinyi Glass Group and Xinyi Solar Group amounted to HK$47,596,000 and HK$2,976,000, which were within the maximum aggregate amount of the Xinyi Glass Processing Framework Agreement and Xinyi Solar Processing Framework Agreement.

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 Company 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 36 to 38 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.

On 18 December 2018, the Group entered into a renewed glass supply framework agreement with Xinyi International Investments Limited and Xinyi Group (Glass) Company Limited, 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 renewed 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 was set at HK$7.2 million, HK$7.7 million and HK$8.2 million respectively for the years ended 31 December 2019, 2020 and 2021 respectively.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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, nor any of its close associates, directors or employees who have been involved in providing advice to the Company had any interest in securities of the Company or any other companies in the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as of 31 December 2018.

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 2018.

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

For the year ended 31 December 2018, 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 of the date of this report, there is sufficient public float or not less than 25% of the Shares are in the hands of the public as required under the GEM Listing Rules.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2018 and up to the date of this report.

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 of the Company will be held on Wednesday, 15 May 2019, at 21st Floor, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 12:00 noon. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.xyglass.com.hk, and will be dispatched to the Shareholders in due course.

On behalf of the Board
TUNG Ching Sai
Chairman

Hong Kong, 22 February 2019

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Xinyi Automobile Glass Hong Kong Enterprises Limited (the "Company") and its subsidiaries (the "Group") set out on pages 45 to 121 which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, 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 of 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 18 to the consolidated financial statements As at 31 December 2018, the carrying value of the Group's inventories amounted to HK$39,472,000, net of impairment provision of approximately HK$1,730,000 (2017: HK$42,503,000, net of nil impairment provision), which consisted mainly of lithium battery products, battery pack and energy storage system products and automobile glass 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, battery pack and energy storage system products are subject to future changes of technology development and automobile glass 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, battery pack and energy storage system 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 2018, inventories amounted to HK$2,007,000 (2017: HK$216,000) had been written off or provided for impairment 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 or provision for impairment 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 future 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 17 to the consolidated financial statements The Group had 18% equity interest in an unlisted company (the "Investment"), which has a wind farm in the People's Republic of China (the "PRC") with grid-connection. The Investment was accounted for as a financial asset at fair value through other comprehensive income (2017: an available-for-sale financial asset "AFS") and requires subsequent re-measurement at fair value at each reporting date. Independent external valuation was obtained to support the fair value of the financial asset at fair value through other comprehensive income to be HK$14,084,000 as at 31 December 2018 (2017: fair value of the AFS to be HK$8,641,000). Related fair value gain recognised in other comprehensive income, net of tax, during the year then ended amounted to HK$5,761,000 (2017: 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, assumptions used in determining the fair value of financial asset at fair value through other comprehensive income (2017: AFS) 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 the information included in Corporate Information, Chairman's Statement, Management Discussion and Analysis, Profile of Directors and Senior Management, Report of the Directors, Corporate Governance Report and Financial Summary (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Environmental, Social and Governance Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE 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, 22 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5	**170,428**	110,305
Cost of revenue	7	**(124,424)**	(86,321)
Gross profit		**46,004**	23,984
Other income	6	**5,177**	5,600
Other gains/(losses), net	6	**55,053**	(497)
Impairment loss on a financial asset	3.1(b)	**(460)**	—
Selling and marketing costs	7	**(6,166)**	(4,352)
Administrative expenses	7	**(27,537)**	(11,659)
Operating profit		**72,071**	13,076
Finance income	9	**1,923**	94
Finance costs	9	**(532)**	(95)
Profit before income tax		**73,462**	13,075
Income tax expense	10	**(14,366)**	(3,687)
Profit for the year		**59,096**	9,388
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(10,788)**	7,475
Change in the fair value of an available-for-sale financial asset, net of tax		**—**	4,178
Item that will not be subsequently reclassified to profit or loss:			
Change in the fair value of a financial asset at fair value through other comprehensive income, net of tax		**5,761**	—
		(5,027)	11,653
Total comprehensive income for the year attributable to owners of the Company		**54,069**	21,041
			(Restated)
Basic and diluted earnings per share (HK cents)	11	**9.63**	1.69

The notes on pages 51 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	14	**97,286**	95,655
Leasehold land and land use right	15	**12,762**	8,581
Intangible asset	16	**4,063**	—
Financial asset at fair value through other comprehensive income	17	**14,084**	—
Available-for-sale financial asset	17	**—**	8,641
Prepayments for plant and equipment	19	**1,035**	1,580
		129,230	114,457
Current assets			
Inventories	18	**39,472**	42,503
Contract assets, trade receivables, other receivables and prepayments	19	**62,567**	47,995
Cash and cash equivalents	20	**213,887**	39,498
		315,926	129,996
Total assets		**445,156**	244,453
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	**6,481**	5,401
Reserves	23	**369,993**	118,005
Total equity		**376,474**	123,406

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liability			
Deferred income tax liabilities	26	406	1,588
Current liabilities			
Contract liabilities, trade and other payables	24	56,527	61,867
Current income tax liabilities		11,749	2,592
Bank borrowings	25	—	55,000
		68,276	119,459
Total liabilities		68,682	121,047
Total equity and liabilities		445,156	244,453

The consolidated financial statements on pages 45 to 121 were approved by the Board of Directors on 22 February 2019 and were signed on its behalf.

TUNG Ching Sai
Chairman

CHAN Chi Leung
Executive Director

The notes on pages 51 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital HK$'000 (Note 21)	Share premium HK$'000 (Note 23)	Capital reserves HK$'000 (Note 23)	Share option reserves HK$'000	Exchange reserves HK$'000	Financial asset at fair value through other comprehensive income reserve HK$'000	Available-for-sale financial asset reserve HK$'000	Statutory reserves HK$'000 (Note 23)	Retained profit HK$'000	Total HK$'000
Balance as at 1 January 2018, as originally presented	5,401	36,175	13,587	2,951	5,529	–	4,178	615	54,970	123,406
Change in an accounting policy (Note 2.1(c))	—	—	—	—	—	4,178	(4,178)	—	—	—
Balance as at 1 January 2018, as restated	5,401	36,175	13,587	2,951	5,529	4,178	—	615	54,970	123,406
Comprehensive income										
Profit for the year	—	—	—	—	—	—	—	—	59,096	59,096
Other comprehensive losses										
Currency translation differences	—	—	—	—	(10,788)	—	—	—	—	(10,788)
Financial asset at fair value through other comprehensive income:										
– Change in the fair value (Note 17)	—	—	—	—	—	6,102	—	—	—	6,102
– Deferred tax	—	—	—	—	—	(341)	—	—	—	(341)
Total comprehensive income	—	—	—	—	(10,788)	5,761	—	—	59,096	54,069
Transactions with owners										
Issuance of ordinary shares upon rights issue, net of transaction costs	1,080	197,812	—	—	—	—	—	—	—	198,892
Employee's share option scheme:										
– Value of employee services (Note 22(a))	—	—	—	107	—	—	—	—	—	107
Appropriation to statutory reserve (Note 23(c))	—	—	—	—	—	—	—	6,001	(6,001)	—
	1,080	197,812	—	107	—	—	—	6,001	(6,001)	198,999
Balance as at 31 December 2018	6,481	233,987	13,587	3,058	(5,259)	9,939	—	6,616	108,065	376,474

	Share capital *HK$'000* (Note 21)	Share premium *HK$'000* (Note 23)	Capital reserves *HK$'000* (Note 23)	Share option reserves *HK$'000*	Exchange reserves *HK$'000*	Available-for-sale financial asset reserve *HK$'000*	Statutory reserves *HK$'000* (Note 23)	Retained profit *HK$'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 (Note 17)	—	—	—	—	—	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 22(a))	—	—	—	29	—	—	—	—	29
Appropriation to statutory reserve (Note 23(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

The notes on pages 51 to 121 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	28	7,178	(29,512)
Interest paid		(532)	(95)
Income tax paid		(6,223)	(2,725)
Net cash generated from/(used in) operating activities		423	(32,332)
Cash flows from investing activities			
Purchase of plant and equipment and land use right		(19,716)	(25,109)
Purchase of an intangible asset		(4,230)	—
Purchase of an available-for-sale financial asset		—	(2,834)
Proceeds from disposal of old facilities, scraps or plant and equipment		59,854	290
Interest received		1,631	94
Net cash generated from/(used in) investing activities		37,539	(27,559)
Cash flows from financing activities			
Proceeds from bank borrowings		35,000	66,000
Repayment of bank borrowings		(90,000)	(11,000)
Proceeds from issuance of shares pursuant to the rights issue, net of transaction costs		198,892	—
Net cash generated from financing activities		143,892	55,000
Net increase/(decrease) in cash and cash equivalents		181,854	(4,891)
Cash and cash equivalents at beginning of the year		39,498	42,688
Effect of foreign exchange rate changes		(7,465)	1,701
Cash and cash equivalents at end of the year	20	213,887	39,498

The notes on pages 51 to 121 are an integral part of these 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 sales of automobile glass with installation and repair services in Hong Kong, the production and sales of lithium battery products, production and sales of as well as provision of contract processing services for battery pack and energy storage system 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 Limited ("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 22 February 2019.

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 disclosure 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 financial asset at fair value through other comprehensive income, which is 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) New and amended standards, improvements and interpretation adopted by the Group:

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 January 2018:

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

Saved as disclosed in Note 2.1(c), the adoption of these new and amended standards, improvements and interpretation 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, improvements, interpretation and revised framework not yet adopted

A number of new and amended standards, improvements, interpretation and revised framework have been published that are not mandatory for the year ended 31 December 2018 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Annual Improvements Project (Amendments)	Annual Improvements 2015-2017 Cycle	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Materials	1 January 2020
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 3 (Amendments)	Definition of Business	1 January 2020
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined by the IASB
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New and amended standards, improvements, interpretation and revised framework not yet adopted (Continued)

The Group will apply the above new and amended standards, improvements, interpretation and revised framework when they become effective. The Group has commenced the assessment of the expected impact of HKFRS 16 as set out below. The directors of the Company is in the process of assessing the financial impact of the other new and amended standards, interpretation and revised framework, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

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 by lessees, 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. For the lease commitments, the Group expects to recognise right-of-use assets on 1 January 2019, lease liabilities (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred taxation. Net current assets will be lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements.

The Group elects to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassification and the adjustments arising from the adoption of HKFRS 9 and HKFRS 15 are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening of the consolidated balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated balance sheet (extract)	31 December 2017 As originally presented HK$'000	HKFRS 9 HK$'000	HKFRS 15 HK$'000	1 January 2018 Restated HK$'000
Non-current assets				
Financial asset at fair value through other comprehensive income	—	8,641	—	8,641
Available-for-sale financial asset	8,641	(8,641)	—	—
	8,641	—	—	8,641
Current liabilities				
Contract liabilities, trade and other payables				
– Contract liabilities	—	—	400	400
– Other creditors and accruals	4,553	—	(400)	4,153
	4,553	—	—	4,553
Equity				
Reserves				
– Available-for-sale financial asset reserve	4,178	(4,178)	—	—
– Financial asset at fair value through other comprehensive income reserve	—	4,178	—	4,178

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note 2.10 below.

There is no material impact on the Group's retained profit as at 1 January 2018 and no restatement is made.

(1) Classification of financial instruments on adoption of HKFRS 9

Equity investments previously classified as available-for-sale

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	Fair value through other comprehensive income HK$'000	Available-for-sale HK$'000
Opening balance – HKAS 39	—	8,641
Reclassify non-trading equities from available-for-sale financial asset to financial asset at fair value through other comprehensive income	8,641	(8,641)
Opening balance – HKFRS 9	8,641	—

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9 Financial Instruments (Continued)

(1) Classification of financial instruments on adoption of HKFRS 9 (Continued)

Equity investments previously classified as available-for-sale (Continued)

The impact of these changes within the Group's equity is as follows:

Reserves – 1 January 2018	**Financial asset at fair value through other comprehensive income reserve HK$'000**	**Available-for-sale financial asset reserve HK$'000**
Opening balance – HKAS 39	—	4,178
Reclassify non-trading equities from available-for-sale financial asset to financial asset at fair value through other comprehensive income	4,178	(4,178)
Opening balance – HKFRS 9	4,178	—

The Group elected to present the changes in the fair value of its equity investment previously classified as available-for-sale financial asset in other comprehensive income, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, asset with a fair value of HK$8,641,000 was reclassified from available-for-sale financial asset to financial asset at fair value through other comprehensive income and cumulative fair value gain, net of tax, of HK$4,178,000 were reclassified from the available-for-sale financial asset reserve to the financial asset at fair value through other comprehensive income reserve on 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9 Financial Instruments (Continued)

(2) Measurement of financial instruments on adoption of HKFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount	
	Original (HKAS 39)	New (HKFRS 9)	Original HK$'000	New HK$'000
Non-current financial assets				
Financial asset at fair value through other comprehensive income	Available-for-sale	Fair value through other comprehensive income	8,641	8,641
Current financial assets				
Contract assets, trade and other receivables (excluding prepayments and value added tax recoverable)	Amortised cost	Amortised cost	33,333	33,333
Cash and cash equivalents	Amortised cost	Amortised cost	39,498	39,498
Current financial liabilities				
Contract liabilities, trade and other payables	Amortised cost	Amortised cost	53,334	53,334
Bank borrowings	Amortised cost	Amortised cost	55,000	55,000

(3) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- contract assets and trade receivables
- deposits and other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained profit and equity was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was also immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9 Financial Instruments (Continued)

(3) Impairment of financial assets (Continued)

Contract assets and trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets and trade receivables. The resulted increase of loss allowance for contract assets and trade receivables on 1 January 2018 was immaterial.

Deposits and other receivables

Deposits and other receivables at amortised cost are considered to be low risk, and therefore the loss allowance is determined as 12 months expected credit losses. The resulted increase of loss allowance for deposits and other receivables on 1 January 2018 was immaterial. The loss allowance for deposits and other receivables have not further increased during the current reporting period.

(ii) HKFRS 15 Revenue from contracts with customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, comparative figures have not been restated. The adoption of HKFRS 15 did not result in significant changes to the Group's revenue recognition policies.

In summary, the following adjustments were made to the amounts recognised in the consolidated balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017 HK$'000	Reclassification HK$'000	HKFRS 15 carrying amount 1 January 2018 HK$'000
Other creditors and accruals	4,553	(400)	4,153
Contract liabilities	—	400	400

The Group has voluntarily changed the presentation of certain amounts in the consolidated balance sheet to reflect the terminology of HKFRS 15. As such, receipt in advance from customers which was previously included in other creditors and accruals, amounting to HK$400,000 as at 1 January 2018, are now recognised as contract liabilities (as included in contract liabilities, trade and other payables) to reflect the terminology of HKFRS 15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15 Revenue from contracts with customers (Continued)

By comparing the amounts reported under HKFRS 15 in the Group's consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 as if those superseded standards had continued to apply in 2018 instead of HKFRS 15, the impact of the adoption of HKFRS 15 on the Group's consolidated balance sheet as at 31 December 2018 would be the similar to that of 1 January 2018 disclosed above. Contract assets, rather than receivables, of HK$6,533,000 and contract liabilities, rather than payables, of HK$2,377,000 are recognised in the Group consolidated balance sheet as at 31 December 2018, respectively. On the other hand, there is no impact of adoption of HKFRS 15 on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

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 gains/(losses), 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 financial assets at fair value through other comprehensive income 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.

2.5 Leasehold land and land use right

Leasehold land in Hong Kong is government-owned. Land use right is the right to use certain land in the PRC. The considerations paid for leasehold land and land use right are treated as prepayments for operating leases and amortised over the lease period using the straight-line method.

Leasehold land	Over the lease period of 33 years
Land use right	Over the lease period of 35 to 42 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their costs to their residue values over the estimated useful lives.

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 the 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 2.8).

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

2.7 Intangible asset

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible asset (Continued)

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The Group amortises the internal-use software with a limited useful life using the straight-line method over 5 to 10 years.

2.8 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.

2.9 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.

2.10 Financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("OCI"), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is only one measurement category into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other gains/(losses), net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments is recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(v) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following categories:

- loans and receivables, and
- available-for-sale financial assets.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(a) Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

(b) Subsequent measurement

The measurement at initial recognition did not change on adoption of HKFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets was subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

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

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

(c) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could 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 was considered an indicator that the assets are impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

(c) Impairment (Continued)

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could 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 decreased and the decrease could 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 was recognised in profit or loss.

Impairment testing of trade receivables is described in note 3.1(b).

Assets classified as available-for-sale

If there was 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 – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 60 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.10 for further information about the Group's accounting policies for trade and other receivables and a description of the Group's impairment policies.

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, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings (Continued)

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.

2.17 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(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.

2.19 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

(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.

2.20 Share-based payments

Equity settled share-based payment transactions

Share-based compensation benefits are provided to employees via the Company's employee share option 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 or hold shares for a specified period of time).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

Equity settled share-based payment transactions (Continued)

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 an employee benefit expenses, with a corresponding credit to equity.

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

2.21 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition

(a) Sale of goods

Revenue from sale of goods of the Group comprises:

- sales of automobile glass with installation and repair services;
- production and sales of lithium battery products;
- production and sales of battery pack and energy storage system products; and
- trading of forklift

Sales are recognised when control of the product has transferred, being when the product is delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery occurs when the product have been transported to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sale of goods is based on the price specified in the sales contracts. No element of financing is deemed present as the sales are made with a credit term within 30-60 days, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

Receivable is recognised when the product is delivered at the point in time when the consideration is unconditional, which only the passage of time is required before the payment is due.

(b) Provision of contract processing services for battery pack and energy storage system

Revenues from contract processing services for battery pack and energy storage system are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

All performance obligations that do not meet the criteria for being satisfied over time should be accounted for as performance obligations satisfied at a point in time. The performance obligation is satisfied at the point in time when control of the goods or services transfers to the customer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (Continued)

(b) Provision of contract processing services for battery pack and energy storage system (Continued)

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. If control of the asset transfers at a point in time, revenue is recognised at the point in time when satisfaction of performance obligation is completed.

(c) Provision of wind farm management service

The Group provides wind farm management service to Xinyi Wind Power (Jinzhai) Company Limited. Revenue from provision for the wind farm management service is recognised over time on a straight-line basis over the term of the contract.

(d) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.23 Interest income

Interest income is presented as finance income in the consolidated statement of profit or loss, where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 Dividend income

Dividends are received from a financial asset measured at fair value through other comprehensive income (FVOCI) (2017 – from available-for-sale financial asset). Dividends are recognised as other income in the consolidated statement of profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.25 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 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.

Government grants relating to the purchase of plant and equipment and land use right are initially included in liabilities as deferred government grants and when such plant and equipment and land use right are built or purchased, the received government grants are netted off with carrying value of the related assets.

2.27 Financial guarantee

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.28 Contract assets and contract liabilities

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the same basis set out in Note 2.10. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(a) 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 2018, certain bank balances held by subsidiaries 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$2,311,000 (2017: HK$188,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HK$ denominated bank balances.

(b) Credit risk

(i) Risk Management

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:

	2018 ***HK$'000***	2017 *HK$'000*
Contract assets, trade and other receivables (excluding prepayments and value added tax recoverable) (Note 19)	**59,932**	33,333
Cash at banks (Note 20)	**213,723**	39,157
Maximum exposure to credit risk	**273,655**	72,490

As at 31 December 2018, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk Management (Continued)

As at 31 December 2018, trade receivables from the top five customers accounted for approximately 69% (2017: 56%) of the Group's trade receivables. In order to minimise the credit risk, the management of the Group has delegated two teams responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts for trade receivables from the sales of automobile glass and the sales of lithium battery products, battery pack and energy storage system products.

(ii) Impairment of financial assets

Contract assets and trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets and trade receivables.

The Group categorises its contract assets and trade receivables, except those individually assessed, based on geographical location and the days past due to measure the expected credit losses. The expected loss rates are based on the payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For contract assets and trade receivables relating to accounts which are long overdue with known insolvencies or non-response to collection activities, they are assessed individually for loss allowance. Accordingly, specific loss allowance of HK$460,000 were made during the year ended 31 December 2018.

Given the track record of regular repayment of remaining trade receivables and contract assets, the directors are of the opinion that the risk of default by these customers is not significant and does not expect any losses from non-performance by customers. Therefore, expected credit loss rate of the remaining trade receivables and contract assets is assessed to be close to zero and no loss allowance was made as at 1 January and 31 December 2018.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Contract assets and trade receivables (Continued)

The closing loss allowance for contract assets and trade receivables as at 31 December 2018 reconcile to the opening loss allowance is as follows:

	2018 *HK$'000*
Opening loss allowance as at 31 December 2017 - calculated under HKAS 39 and 1 January 2018 - calculated under HKFRS 9	—
Increase in loss allowance recognised in profit or loss during the year	460
Currency translation difference	(18)
Closing loss allowance as at 31 December 2018	442

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments (more than 2 years overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Other financial assets at amortised cost

For other financial assets at amortised cost, including deposits and other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

Impairment losses on other financial assets at amortised cost are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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	
	2018	2017
	HK$'000	*HK$'000*
Trade payables	**8,996**	21,540
Amounts due to related companies (non-trade)	**—**	229
Other payables for purchase of plant and equipment and land use right	**23,993**	27,012
Other creditors and accruals	**3,474**	4,153
Retention payables for disposal of old facilities or scraps	**5,693**	—
Bank borrowings	**—**	55,020
	42,156	107,954

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 equivalents.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 *Capital risk management (Continued)*

The gearing ratios as at 31 December 2018 and 2017 were as follows:

	2018 *HK$'000*	2017 *HK$'000*
Bank borrowings (Note 25)	—	55,000
Less: cash and cash equivalents (Note 20)	(213,887)	(39,498)
Net (cash)/debt	(213,887)	15,502
Total equity	376,474	123,406
Gearing ratio	N/A	12.6%

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 2018				
Assets				
Financial asset at fair value through other comprehensive income	—	—	14,084	14,084
As at 31 December 2017				
Assets				
Available-for-sale financial asset	—	—	8,641	8,641

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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.

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

As at 31 December 2018, instruments included in level 3 represent unlisted equity interest, which was classified as financial asset at fair value through other comprehensive income (2017: available-for-sale financial asset).

The fair value of financial asset at fair value through other comprehensive income (2017: 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		Valuation technique	Significant unobservable inputs	Range of inputs	Favourable/(unfavourable) changes to fair value	
	2018	2017				**2018**	2017
	HK$'000	*HK$'000*				***HK$'000***	*HK$'000*
Unlisted equity securities	**14,084**	8,641	Discounted cash flow	Electricity outputs	+5%	**3,522**	3,225
					–5%	**(3,522)**	(3,225)
				Operating expenses	+5%	**(385)**	(407)
					–5%	**385**	407
				Discount rate	+1%	**(330)**	(351)
					-1%	**343**	365

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 a financial asset at fair value through other comprehensive income (2017: an available-for-sale financial asset)

The Group had completed the acquisition of an 18% equity interests of an unlisted company, which has a wind farm in the PRC with grid-connection in 2017. The Investment was accounted for as a financial asset at fair value through other comprehensive income (2017: available-for-sale financial asset) and requires subsequent re-measurement at fair value at each reporting date. As at 31 December 2018, the carrying amount of the financial asset at fair value through other comprehensive income was approximately HK$14,084,000 (2017: available-for-sale financial asset was approximately HK$8,641,000). The methodologies, models, assumptions used in determining the fair value of financial asset at fair value through other comprehensive income (2017: 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 contract assets, trade and other receivables

The Group makes loss allowance on contract assets, trade and other receivables based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (CONTINUED)

(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 land use right and plant and equipment

Leasehold land and land use right 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.

(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) battery pack and energy storage system; (2) production and sales of lithium battery products; (3) sales of automobile glass with installation and repair services; and (4) other segments.

Battery pack and energy storage system – The Group is engaged in the development, processing and sale of battery pack and energy storage system 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 in the PRC. The Group is also engaged in the provision of contract processing services to customers in the PRC. The first energy storage product has been delivered for sale since January 2018.

Production and sales of lithium battery products – The Group engaged in manufacturing business of lithium battery products 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.

Other segments –

(a) Trading of forklift

The Group engaged in trading of forklift business in the PRC.

(b) Wind farm related business

The Group has an equity investment in a wind farm project and has provided management services for wind farm operations and engaged in investment and development in wind farm projects in the PRC.

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

5 SEGMENT INFORMATION (CONTINUED)

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

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

(a) Segment results

	Year ended 31 December 2018				
	Battery pack and energy storage system *HK$'000*	Production and sales of lithium battery products *HK$'000*	Sales of automobile glass with installation and repair services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue	80,644	77,118	56,119	14,285	228,166
Inter-segment revenue	—	(57,738)	—	—	(57,738)
Revenue from external customer	80,644	19,380	56,119	14,285	170,428
Timing of revenue recognition:					
– At a point of time	51,281	19,380	56,119	12,500	139,280
– Over time	29,363	—	—	1,785	31,148
	80,644	19,380	56,119	14,285	170,428
Cost of revenue	(56,980)	(19,349)	(36,859)	(11,236)	(124,424)
Gross profit	23,664	31	19,260	3,049	46,004
Depreciation charge of plant and equipment (Note 7)	1,151	7,715	1,318	19	10,203
Amortisation charge (Note 7)	74	—	300	—	374

5 SEGMENT INFORMATION (CONTINUED)

(a) Segment results (Continued)

	Year ended 31 December 2017				
	Battery pack and energy storage system *HK$'000*	Production and sales of lithium battery products *HK$'000*	Sales of automobile glass with installation and repair services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue	27,221	18,652	50,675	32,409	128,957
Inter-segment revenue	—	(18,652)	—	—	(18,652)
Revenue from external customer	27,221	—	50,675	32,409	110,305
Timing of revenue recognition:					
– At a point of time	27,221	—	50,675	31,869	109,765
– Over time	—	—	—	540	540
	27,221	—	50,675	32,409	110,305
Cost of revenue	(28,042)	—	(34,949)	(23,330)	(86,321)
Gross (loss)/profit	(821)	—	15,726	9,079	23,984
Depreciation charge of plant and equipment (Note 7)	336	2,094	1,291	3	3,724
Amortisation charge (Note 7)	—	—	300	—	300

5 SEGMENT INFORMATION (CONTINUED)

(a) *Segment results (Continued)*

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

	2018 *HK$'000*	2017 *HK$'000*
Segment gross profit	**46,004**	23,984
Unallocated:		
Other income (Note 6)	**5,177**	5,600
Other gains/(losses), net (Note 6)	**55,053**	(497)
Impairment loss on a financial asset (Note 3.1(b))	**(460)**	—
Selling and marketing costs (Note 7)	**(6,166)**	(4,352)
Administrative expenses (Note 7)	**(27,537)**	(11,659)
Finance income (Note 9)	**1,923**	94
Finance costs (Note 9)	**(532)**	(95)
Profit before income tax	**73,462**	13,075

Revenue from the following customers account for 10% or more of the total revenue:

	Battery pack and energy storage system	Production and sales of lithium battery products	Other	Total
2018				
Revenue from:				
– Entities under common control of a related party* (Note 29(b))	**28%**	**—**	**2%**	**30%**
– Customer A	**11%**	**11%**	**—**	**22%**
2017				
Revenue from:				
– Customer B	12%	—	—	12%
– Customer C	10%	—	—	10%

* It represents a group of entities under common control considered as a single customer.

5 SEGMENT INFORMATION (CONTINUED)

(b) Disaggregation of revenue from contract with customers

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

	2018 *HK$'000*	2017 *HK$'000*
The PRC	**114,309**	59,630
Hong Kong	**56,119**	50,675
	170,428	110,305

(c) Segment assets and liabilities

	Year ended 31 December 2018				
	Battery pack and energy storage system *HK$'000*	**Production and sales of lithium battery products** *HK$'000*	**Sales of automobile glass with installation and repair services** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Total assets	**94,731**	**197,273**	**43,709**	**24,862**	**360,575**
Total assets included:					
Additions to non-current assets during the year (other than financial instruments)	**9,271**	**11,032**	**308**	**4,326**	**24,937**
Total liabilities	**(15,156)**	**(44,338)**	**(7,177)**	**(1,050)**	**(67,721)**

5 SEGMENT INFORMATION (CONTINUED)

(c) Segment assets and liabilities (Continued)

	Year ended 31 December 2017				
	Battery pack and energy storage system *HK$'000*	Production and sales of lithium battery products *HK$'000*	Sales of automobile glass with installation and repair services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total assets	38,409	129,969	45,540	30,006	243,924
Total assets included:					
Additions to non-current assets during the year (other than financial instruments)	3,322	20,718	739	330	25,109
Total liabilities	(2,014)	(50,260)	(8,302)	(4,355)	(64,931)

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

	Assets		Liabilities	
	2018 ***HK$'000***	2017 *HK$'000*	**2018** ***HK$'000***	2017 *HK$'000*
Segment assets/(liabilities)	**360,575**	243,924	**(67,721)**	(64,931)
Unallocated:				
Prepayment, deposit and other receivables	**169**	101	**—**	—
Cash and cash equivalents	**84,412**	428	**—**	—
Other creditors and accruals	**—**	—	**(961)**	(996)
Amounts due to related companies (non-trade)	**—**	—	**—**	(120)
Bank borrowings	**—**	—	**—**	(55,000)
Total assets/(liabilities)	**445,156**	244,453	**(68,682)**	(121,047)

5 SEGMENT INFORMATION (CONTINUED)

(c) *Segment assets and liabilities (Continued)*

An analysis of the Group's non-current assets other than financial asset at fair value through other comprehensive income (2017: available-for-sale financial asset) by geographical area in which the assets are located is as follows:

	2018	2017
	HK$'000	*HK$'000*
The PRC	**103,376**	92,736
Hong Kong	**11,770**	13,080
	115,146	105,816

(d) *Assets and liabilities related to contract with customers*

The Group has recognised the following assets and liabilities related to contract with customers:

	31 December 2018	1 January 2018 (Restated)
	HK$'000	*HK$'000*
Contract assets		
– Production and sales of and contract processing services for battery pack and energy storage system	**6,533**	—
Contract liabilities		
– Production and sales of and contract processing services for battery pack and energy storage system	**672**	—
– Others	**1,705**	400
	2,377	400

5 SEGMENT INFORMATION (CONTINUED)

(d) *Assets and liabilities related to contract with customers (Continued)*

(i) Significant changes in contract assets and liabilities

Contract assets have been increased by HK$6,533,000 since the Group engaged in the new contract processing services during the year ended 31 December 2018.

Contract liabilities have been increased by HK$1,977,000 mainly due to the receipt-in-advance of trading of forklift as at 31 December 2018 as compared to 1 January 2018 and the commencement of contract processing services in current year.

(ii) Revenue recognised in relation to contract liabilities

Revenue of HK$400,000 is recognised in relation to contract liabilities in the year ended 31 December 2018 related to carried forward contract liabilities as at 1 January 2018. There is no revenue recognised in relation to contract liabilities for performance obligation satisfied on or before 1 January 2018.

(iii) All contracts are for the periods of one year or less or are billed based on progress completed to date. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	2018 *HK$'000*	2017 *HK$'000*
Other income		
Government grants (Note a)	**5,159**	5,590
Others	**18**	10
	5,177	5,600
Other gains/(losses), net		
Net gains on disposal of old facilities, scraps or plant and equipment (Note b)	**55,825**	145
Exchange losses	**(772)**	(642)
	55,053	(497)

Note:

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

(b) The Group's production operation will generate scraps or recyclable materials and assets which are available for sale and give rise to disposal gains/(losses). In 2018, the Group has acquired certain long-term non-financial assets which includes old production facilities, in which the Group acquired the old production facilities ("Related Assets") with a view to dispose. During the year, the gain mainly represents the disposal proceeds of the Related Assets from independent third parties netted with the respective carrying value. Given there is no unfulfilled conditions attached to such acquisition, a non-monetary assistance, approximately the amount of the disposal gain, was netted off with the relative fair value of the Related Assets in arriving at the initial carrying value of the Related Assets recognised in the consolidated balance sheet in accordance with HKFRSs.

7 EXPENSES BY NATURE

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

	2018 *HK$'000*	2017 *HK$'000*
Cost of inventories (Note 18)	**67,644**	46,212
Write-off and provision for impairment of inventories (Note 18)	**2,007**	216
Advertising	**2,184**	92
Auditor's remuneration	**1,100**	862
Amortisation expenses (Note 15)	**374**	300
Depreciation expenses (Note 14)	**10,203**	3,724
Employee benefit expenses (including directors' emoluments) (Note 8)	**43,867**	32,015
Insurance expenses	**603**	144
Motor vehicles expenses	**1,503**	1,450
Operating lease payments in respect of rented premises	**7,400**	9,613
Legal and professional fees	**1,709**	1,144
Utility expenses	**6,786**	1,616
Research and development expenses	**7,396**	1,472
Warranty expenses	**782**	—
Others	**4,569**	3,472
Total of cost of revenue, selling and marketing costs and administrative expenses	**158,127**	102,332
Cost of revenue	**124,424**	86,321
Selling and marketing costs	**6,166**	4,352
Administrative expenses	**27,537**	11,659
	158,127	102,332

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 HK$'000	2017 HK$'000
Wages and salaries	38,284	25,343
Bonus	7,205	5,630
Share-based compensation (Note 22)	136	268
Pension costs - defined contribution scheme (Note (a))	3,449	2,281
Others	1,651	945
	50,725	34,467

Employee benefit expenses of HK$3,003,000 (2017: HK$1,441,000) have been capitalised in inventories and HK$3,855,000 (2017: HK$1,011,000) have been recognised in research and development expenses for the year ended 31 December 2018.

(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 (2017: two directors and a chief executive) whose emoluments were reflected in the analysis presented in Note 31. The emoluments paid to the remaining three (2017: two) individuals are as follows:

	2018 *HK$'000*	2017 *HK$'000*
Wages and salaries	**2,090**	1,638
Bonus	**597**	541
Share-based compensation	**19**	27
Pension costs-defined contribution scheme	**63**	45
	2,769	2,251

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

	2018 *HK$'000*	2017 *HK$'000*
Nil - HK$1,000,000	**2**	1
HK$1,000,000 - HK$1,500,000	**1**	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 (2017: Nil).

9 FINANCE INCOME AND COSTS

	2018 HK$'000	2017 HK$'000
Finance income		
Interest income from bank deposits	1,923	94
Finance costs		
Interest on bank borrowings	852	489
Less: amounts capitalised (Note)	(320)	(394)
	532	95

Note:

The capitalisation rate of 2.82% (2017: 2.59%) 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

	2018 HK$'000	2017 HK$'000
Current income tax		
– Hong Kong profits tax	1,728	1,671
– PRC Corporate Income Tax	14,335	2,049
Over-provision in prior year	(202)	—
Deferred tax (Note 26)	(1,495)	(33)
	14,366	3,687

Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK$2 million of the estimated assessable profits for one of the Group's Hong Kong subsidiaries for the year and 16.5% on the remaining estimated assessable profits for the year (2017: standard rate at 16.5%).

During the year, one of the PRC subsidiary, being qualified as a New and High Technology Enterprise, is entitled to a preferential Corporate Income Tax ("CIT") rate of 15%. Other subsidiaries of the Group in the PRC are subject to standard tax rate of 25% (2017: 25%). Provision for the PRC Corporate Income Tax are calculated at 15% - 25% (2017: 25%) on estimated assessable profit for the year ended 31 December 2018.

10 INCOME TAX EXPENSE (CONTINUED)

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:

	2018 **HK$'000**	2017 HK$'000
Profit before income tax	**73,462**	13,075
Calculated at tax rate applicable to results of the respective group entities	**15,718**	3,288
Income not subject to tax	**(108)**	(2)
Expenses not deductible for tax purposes	**238**	67
Effect of additional tax reduction enacted by tax authority	**(1,906)**	—
Over-provision in prior year	**(202)**	—
Unrecognised temporary difference	**656**	419
Recognition of previously unrecognised tax losses	**—**	(65)
Tax credit	**(30)**	(20)
Income tax expense	**14,366**	3,687

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 and adjusted for bonus elements in ordinary shares issued as a result of the rights issue completed in May 2018.

	2018	2017 (Restated)
Profit attributable to owners of the Company (HK$'000)	59,096	9,388
Weighted average number of ordinary shares in issue (thousands)	613,876	554,816
Basic earnings per share (HK cents)	9.63	1.69

(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. The Company has dilutive potential ordinary shares from share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share (2017: outstanding share option was anti-dilutive).

	2018	2017 (Restated)
Profit attributable to owners of the Company used to determine the diluted earnings per share (HK$'000)	59,096	9,388
Weighted average number of ordinary shares in issue (thousands)	613,876	554,816
Adjustment for share option (thousands)	26	—
	613,902	554,816
Diluted earnings per share (HK$ cents)	9.63	1.69

Basic earnings per share and diluted earnings per share for the year ended 31 December 2017 have been restated to take into account the effects of the bonus element in ordinary shares issued as a result of the rights issue of the Company completed in May 2018.

12 DIVIDEND

No final dividend was proposed during the year (2017: Nil).

13 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2018:

Company Name	Place of incorporation and type of legal entity	Registered/ issued and paid up capital	Effective equity interest held by the Company (%) 2018	2017	Principal activities/place of operation
Indirectly owned:					
Xinyi Automobile Glass Company Limited ("Xinyi Automobile Glass")	Hong Kong, limited liability company	HK$100,000	100%	100%	Installation of automobile glass products, Hong Kong
Champion Goal Investments Limited	Hong Kong, limited liability company	HK$1	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, battery pack and energy storage system, 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, limited liability company	RMB1,800,000	100%	100%	Energy storage system development, the PRC
Wuwei Xinyi Wind Power Company Limited* 無為信義風能有限公司	The PRC, wholly foreign owned enterprise	RMB50,000	100%	100%	Wind power facility development, the PRC
Mengcheng Xinyi Wind Power Company Limited* 蒙城信義風能有限公司	The PRC, wholly foreign owned enterprise	Registered RMB 50,000 & no paid up capital	100%	100%	Wind power facility development, the PRC
Xinyi Power (Suzhou) Company Limited* 信義電源(蘇州)有限公司	The PRC, wholly foreign owned enterprise	HKD50,000,000	100%	—	Research, production and sales of lithium battery products, battery pack and energy storage system and trading of forklift, 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 2017							
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
Year ended 31 December 2018							
Opening net book amount	**1,152**	**490**	**69,746**	**2,342**	**2,792**	**19,133**	**95,655**
Additions	**—**	**430**	**348**	**447**	**298**	**15,014**	**16,537**
Transfer from construction in progress	**—**	**—**	**12,692**	**—**	**181**	**(12,873)**	**—**
Depreciation	**(73)**	**(320)**	**(8,271)**	**(690)**	**(849)**	**—**	**(10,203)**
Currency translation differences	**—**	**(27)**	**(3,562)**	**(51)**	**(54)**	**(1,009)**	**(4,703)**
Closing net book amount	**1,079**	**573**	**70,953**	**2,048**	**2,368**	**20,265**	**97,286**
As at 31 December 2018							
Cost	**1,467**	**1,233**	**81,003**	**6,510**	**4,557**	**20,265**	**115,035**
Accumulated depreciation	**(388)**	**(660)**	**(10,050)**	**(4,462)**	**(2,189)**	**—**	**(17,749)**
Net book amount	**1,079**	**573**	**70,953**	**2,048**	**2,368**	**20,265**	**97,286**

Depreciation expenses of HK$7,361,000 (2017: HK$2,365,000) and HK$785,000 (2017: HK$378,000) have been charged in cost of revenue and administrative expenses for the year and depreciation expenses of HK$2,057,000 (2017: HK$981,000) have been capitalised in inventories for the year (Note 7).

15 LEASEHOLD LAND AND LAND USE RIGHT

	Leasehold land *HK$'000*	Land use right *HK$'000*	Total *HK$'000*
Year ended 31 December 2017			
Opening net book amount	8,881	—	8,881
Amortisation	(300)	—	(300)
Closing net book amount	8,581	—	8,581
As at 31 December 2017			
Cost	10,005	—	10,005
Accumulated amortisation	(1,424)	—	(1,424)
Net book amount	8,581	—	8,581
Year ended 31 December 2018			
Opening net book amount	**8,581**	**—**	**8,581**
Additions	**—**	**4,715**	**4,715**
Amortisation	**(300)**	**(74)**	**(374)**
Currency translation differences	**—**	**(160)**	**(160)**
Closing net book amount	**8,281**	**4,481**	**12,762**
As at 31 December 2018			
Cost	**10,005**	**4,553**	**14,558**
Accumulated amortisation	**(1,724)**	**(72)**	**(1,796)**
Net book amount	**8,281**	**4,481**	**12,762**

16 INTANGIBLE ASSET

	Internal-use software
As at 1 January and 31 December 2017	
Cost and net book amount	—
Year ended 31 December 2018	
Opening net book amount	**—**
Additions	**4,230**
Currency translation differences	**(167)**
Closing net book amount	**4,063**
As at 31 December 2018	
Cost and net book amount	**4,063**

17 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (2017: AVAILABLE FOR-SALE FINANCIAL ASSET)

The Group has classified its 18% equity interest of an unlisted company as financial asset at fair value through other comprehensive income ("FVOCI"). The entity has a wind farm in the PRC with grid-connection and is controlled by Xinyi Glass, a related party.

The Group has irrevocably elected at initial recognition to recognise the financial asset in this category upon initial adoption of HKFRS 9. This is a strategic investment which is not held for trading and the Group considers this classification to be more relevant. This investment was previously classified as an available-for-sale financial asset ("AFS") in 2017.

This unlisted equity interest is denominated in RMB. Its fair value is analysed as follow:

(a) Equity investment at FVOCI

	2018 *HK$'000*	2017 *HK$'000*
As at 1 January, as restated	**8,641**	—
Gain recognised in other comprehensive income	**6,102**	—
Currency translation differences	**(659)**	—
As at 31 December	**14,084**	—

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

(b) Equity investment previously classified as AFS (2017)

	2018 *HK$'000*	2017 *HK$'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

Information about the methods and assumptions used in determining fair value is provided in note 3.3.

18 INVENTORIES

	2018 *HK$'000*	2017 *HK$'000*
Raw materials	**8,789**	9,819
Work in progress	**4,419**	6,242
Finished goods	**27,520**	26,258
Other consumables	**474**	184
	41,202	42,503
Less: Provision for impairment of inventories	**(1,730)**	—
	39,472	42,503

The cost of inventories recognised as expense and included in cost of revenue amounted to HK$67,644,000 (2017: HK$46,212,000) for the year (Note 7).

The write-off and provision for impairment of inventories included in cost of revenue amounted to HK$2,007,000 (2017: HK$216,000) (Note 7).

19 CONTRACT ASSETS, TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2018 *HK$'000*	2017 *HK$'000*
Trade receivables (Note (a))		
– Third parties	**16,085**	20,752
– Related companies (Note 29(d))	**3,533**	982
Less: loss allowance (Note 3.1(b))	**(442)**	—
	19,176	21,734
Contract assets	**6,533**	—
Bills receivables (Note (b))	**29,031**	6,707
Prepayments	**2,135**	5,855
Value added tax recoverable	**1,535**	10,387
Deposits and other receivables	**5,192**	4,892
	63,602	49,575
Less: non-current portion	**(1,035)**	(1,580)
Current portion	**62,567**	47,995

19 CONTRACT ASSETS, TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Notes:

(a) Trade receivables

The majority of credit period granted by the Group to its customers is 30 to 60 days (2017: 30 to 60 days). The ageing analysis of the Group's trade receivables based on invoice date was as follows:

	2018 *HK$'000*	2017 *HK$'000*
0 - 60 days	**9,141**	16,687
61 - 180 days	**9,346**	4,942
181 - 365 days	**94**	64
Over 365 days	**595**	41
	19,176	21,734

(b) Bills receivables

The maturity dates of bills receivables are within 12 months (2017: 6 months).

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

	2018 *HK$'000*	2017 *HK$'000*
HK$	**6,623**	6,504
RMB	**56,979**	43,071
	63,602	49,575

(d) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This has not resulted in a change to the loss allowance of trade receivables nor contract assets as at 1 January 2018. Note 3.1(b) provides for details about the allowance.

The loss allowance was increased to HK$442,000 for trade receivables during the year ended 31 December 2018.

Information about the impairment of trade receivables and contract assets and the Group's exposure to foreign exchange risk and credit risk can be found in note 3.1.

20 CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash at banks	213,723	39,157
Cash on hand	164	341
	213,887	39,498

Cash and cash equivalents are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HK$	146,428	21,100
RMB	67,459	18,398
	213,887	39,498

As at 31 December 2018, the Group had cash and banks balances amounted to approximately HK$113,079,000 (2017: HK$21,985,000), 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.

21 SHARE CAPITAL

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 2017, 31 December 2017 and 1 January 2018	540,112,962	5,401
Issuance of ordinary shares upon rights issue (Note)	108,022,591	1,080
As at 31 December 2018	648,135,553	6,481

Note:

On 16 March 2018, the Company invited its shareholders to subscribe to a rights issue of 108,023,000 shares at an issue price of HK$1.85 per share on the basis of one share for every five existing shares held. The issue was fully subscribed. Proceeds of approximately HK$199.84 million were received and the related transaction costs of approximately HK$0.95 million were netted off with the proceeds. These shares rank pari passu in all respect with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

22 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 Department 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.

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

	2018		2017	
	Average exercise price in HK$ per share	**Options (unit)**	Average exercise price in HK$ per share	Options (unit)
As at 1 January	**1.56**	**312,000**	—	—
Adjustment on rights issue	**1.52**	**8,493**	—	—
Granted	**1.95**	**684,000**	1.56	312,000
Forfeited	**1.70**	**(104,416)**	—	—
As at 31 December	**1.82**	**900,077**	1.56	312,000

22 SHARE-BASED PAYMENTS (CONTINUED)

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

On 1 August 2017, 312,000 share options were granted to the then 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 average closing price of the Company's share for the five business days immediately preceding 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.

On 13 August 2018, 684,000 share options were granted to the then chief executive officer of the Company, two executive directors of the Company and certain employees of the Group. The exercise price is HK$1.95 per share, which is equal to the average closing price of the Company's share for the five business days immediately preceding the date of grant. The validity period of the options is from 13 August 2018 to 31 March 2022. One third of the options will vest on each of the year-end date of 2018, 2019 and 2020 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2021 to 31 March 2022.

Out of the above outstanding share options, no options were exercisable as at 31 December 2018 (2017: Nil).

These outstanding share options as at 31 December 2018 have the following expiry dates and exercise prices:

Expiry Date	Adjusted average exercise price in HK$ per share	2018 Units	2017 Units
31 March 2021	1.52	**260,077**	312,000
31 March 2022	1.95	**640,000**	—
		900,077	312,000

22 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$0.64 (2017: HK$0.47) per option respectively. The significant inputs into the model are as follows:

Grant date	**13 August 2018**	1 August 2017
Closing share price, at the grant date (HK$)	**1.90**	1.49
Exercise price (HK$)	**1.95**	1.56
Volatility (%)	**47.28%**	46.28%
Dividend yield (%)	**0.00%**	0.00%
Expected share option life (years)	**3.13**	3.17
Annual risk-free interest rate (%)	**1.87%**	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$107,000 (2017: HK$29,000) 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 option.

22 SHARE-BASED PAYMENTS (CONTINUED)

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

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.

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

	2018		2017	
	Average exercise price in HK$ per share	**Options (unit)**	Average exercise price in HK$ per share	Options (unit)
As at 1 January	**4.77**	**601,000**	5.37	847,000
Exercised	**4.75**	**(258,000)**	6.84	(246,000)
Forfeited	**4.77**	**(157,000)**	—	—
As at 31 December	**4.81**	**186,000**	4.77	601,000

Out of the above outstanding share options, 136,000 options (2017: 22,000) were exercisable as at 31 December 2018. During 2018, 258,000 options were exercised (2017: 246,000).

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**	**2018 Units**	2017 Units
31 March 2018	6.84	—	22,000
31 March 2019	4.55	—	268,000
31 March 2020	4.81	**186,000**	311,000
		186,000	601,000

23 OTHER RESERVES

(a) Capital reserves

On 7 December 2015, it was agreed with Xinyi Glass that two third and one third of the listing expenses of the Group were borne by Xinyi Glass and the Company, respectively. Upon payment of these expenses in 2015 and 2016 by Xinyi Glass, a capital contribution from Xinyi Glass were recorded in the Company's equity.

(b) Share premium

Share premium comprised of (i) HK$36,175,000 from 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, and (ii) HK$197,812,000 from the difference between the proceeds of HK$ 199,842,000 from issuance of ordinary shares upon rights issue on 16 May 2018 over the nominal value of the share capital of the Company issued of HK$1,080,000, net of the transaction costs of HK$950,000.

(c) Statutory reserves

The PRC companies are required to allocate 10% of the companies' retained profit 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 2018, the respective board of directors of certain PRC subsidiaries of the Group resolved to appropriate approximately HK$6,001,000 (2017: HK$615,000) from retained profit to statutory reserves.

24 CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables (Note (a))		
– Third parties	8,043	21,195
– Related companies (Note 29(d))	953	345
	8,996	21,540
Contract liabilities	2,377	—
Amounts due to related companies (non-trade) (Note (b))	—	229
Accrued salaries and bonus	11,994	8,533
Other payables for purchase of plant and equipment and land use right	23,993	27,012
Other creditors and accruals	3,474	4,553
Retention payables for disposal of old facilities or scraps	5,693	—
	56,527	61,867

The carrying amounts of contract liabilities, trade and other payables approximate to their fair value and were mainly denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HK$	7,970	8,473
RMB	48,557	53,394
	56,527	61,867

24 CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES (CONTINUED)

(a) *Trade payables*

The ageing analysis of the trade payables based on invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**7,821**	12,991
31-90 days	**736**	7,637
91-180 days	**344**	850
Over 180 days	**95**	62
Total	**8,996**	21,540

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

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

25 BANK BORROWINGS AND BANKING FACILITIES

(a) *Bank borrowings*

	2018	2017
	HK$'000	*HK$'000*
Bank borrowings guaranteed	**—**	55,000

As at 31 December 2017, bank borrowings represent the revolving loan drawn by the Group which are due for repayment within one year. The bank borrowings were fully repaid in 2018. 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%.

The Company has given guarantees to financial institutions in connection with the bank borrowings.

(b) *Banking facilities*

As at 31 December 2018, the Group has undrawn borrowing facilities of HK$60,000,000 (2017: HK$5,000,000), which are facilities subject to periodic review.

26 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2018	2017
	HK$'000	*HK$'000*
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**1,956**	—
Deferred tax income liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(2,362)**	(1,588)
Deferred income tax liabilities, net	**(406)**	(1,588)

The net movement on the deferred income tax account is as follows:

	2018	2017
	HK$'000	*HK$'000*
As at 1 January	**(1,588)**	(172)
Credited to profit or loss (Note 10)	**1,495**	33
Charged to other comprehensive income	**(341)**	(1,393)
Currency translation differences	**28**	(56)
As at 31 December	**(406)**	(1,588)

26 DEFERRED INCOME TAX (CONTINUED)

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

Deferred income tax liabilities:

	Accelerated tax depreciation *HK$'000*	Accumulated gain on a financial asset at fair value through other comprehensive income *HK$'000*	Total *HK$'000*
As at 1 January 2017	(172)	—	(172)
Credited to profit or loss	33	—	33
Charged to other comprehensive income	—	(1,393)	(1,393)
Currency translation differences	—	(56)	(56)
As at 31 December 2017 and 1 January 2018	(139)	(1,449)	(1,588)
Charged to profit or loss	(542)	—	(542)
Charged to other comprehensive income	—	(341)	(341)
Currency translation differences	25	84	109
As at 31 December 2018	**(656)**	**(1,706)**	**(2,362)**

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

Deferred income tax assets:

	Provision *HK$'000*	Decelerated tax depreciation *HK$'000*	Total *HK$'000*
As at 1 January and 31 December 2017, and 1 January 2018	—	—	—
Credited to profit or loss	**1,433**	**604**	**2,037**
Currency translation differences	**(57)**	**(24)**	**(81)**
As at 31 December 2018	**1,376**	**580**	**1,956**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$532,000 (2017: HK$179,000) in respect of tax losses amounting to approximately HK$2,128,000 (2017: HK$715,000) at 31 December 2018 that can be carried forward against future taxable income. These tax losses will expire between 2022 and 2023 (2017: expire in 2022).

Deferred income tax liabilities of HK$6,617,000 (2017: HK$615,000) have not been recognised for withholding tax that would be payable on the undistributed distributable reserves amounting to HK$66,168,000 (2017: HK$6,150,000) of the Company's subsidiaries in the PRC earned after 1 January 2008 using a 10% withholding tax rate. Such amounts are not intended to be distributed in the foreseeable future to the group companies outside of the PRC.

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 2 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:

	2018	2017
	HK$'000	*HK$'000*
Not later than one year	**7,306**	10,472
Later than one year and not later than five years	**11,749**	23,979
	19,055	34,451

(b) Capital commitment

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

	2018	2017
	HK$'000	*HK$'000*
Contracted but not provided for		
– Plant and equipment	**1,896**	6,246

28 CASH GENERATED FROM/(USED IN) OPERATIONS

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Profit before income tax	73,462	13,075
Adjustments for:		
– Finance costs	532	95
– Finance income	(1,923)	(94)
– Depreciation expenses	10,203	3,724
– Amortisation expenses	374	300
– Share-based compensation	107	29
– Impairment loss on a financial asset	460	—
– Write-off and provision for impairment of inventories	2,007	216
– Net gains on disposal of old facilities, scraps or plant and equipment	(55,825)	(145)
	29,397	17,200
Changes in working capital:		
– Inventories	2,557	(34,159)
– Contract assets, trade receivables, other receivables and prepayments	(12,043)	(38,361)
– Contract liabilities, trade and other payables	(12,733)	25,808
Cash generated from/(used in) operations	7,178	(29,512)

(a) Reconciliation of liabilities arising from financing activities

There are no non-cash movements in financing activities during the years ended 31 December 2018 and 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 2018, the Group is controlled by Dr. 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 shareholders") which in aggregate owns 69.28% (2017: 69.28%) of the Company's shares.

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 is a common controlling shareholder of Xinyi Glass
Xinyi Solar Holdings Limited ("Xinyi Solar")	Mr. TUNG Ching Sai is a common controlling shareholder of Xinyi Solar
Mr. LEE Shing Kan ("Mr. LEE")	Non-executive director
Mr. TUNG Fong Ngai	Close family member of one of the controlling shareholders

(b) *Transactions with related parties*

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

	2018 **HK$'000**	2017 HK$'000
– Purchase of automobile glass from subsidiaries of Xinyi Glass (Note i)	**5,494**	4,013
– Purchase of consumables from subsidiaries of Xinyi Glass (Note i)	**481**	—
– Share option expenses recharged by Xinyi Glass (Note ii)	**29**	239
– Sales of forklift battery chargers to subsidiaries of Xinyi Glass (Note i)	**1,002**	358
– Sales of and provision of contract processing services for battery pack and energy storage system to subsidiaries of Xinyi Glass (Note i)	**47,596**	—
– Sales of forklift battery chargers to subsidiaries of Xinyi Solar (Note i)	**540**	38
– Sales of and provision of contract processing services for battery pack and energy storage system to subsidiaries of Xinyi Solar (Note i)	**2,976**	—
– Management fee received from a subsidiary of Xinyi Glass (Note iii)	**1,815**	540
– Operating lease payments in respect of office premises paid to subsidiaries of Xinyi Glass (Note i)	**265**	120
– Operating lease payments in respect of shop premises paid to Mr. LEE and Mr. TUNG Fong Ngai (Note i)	**456**	456
– Electricity expenses paid to subsidiaries of Xinyi Solar (Note i)	**1,492**	—

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

Notes:

i. Purchase of automobile glass and consumables, sales of forklift battery chargers, sales of and provision of contract processing services for battery pack and energy storage system, and operating lease payments and electricity 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 the PRC, which is mutually agreed with a subsidiary of Xinyi Glass.

(c) Key management compensation

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

	2018 *HK$'000*	2017 *HK$'000*
Wages and salaries	**5,105**	3,970
Bonus	**3,646**	3,118
Share-based compensation	**47**	161
Pension costs – defined contribution scheme	**146**	104
	8,944	7,353

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

	2018 *HK$'000*	2017 *HK$'000*
Trade		
Trade receivables due from subsidiaries of Xinyi Glass	**1,911**	—
Trade receivables due from subsidiaries of Xinyi Solar	**1,622**	982
Trade payables due to subsidiaries of Xinyi Glass	**(953)**	(345)
Non-trade		
Amounts due to subsidiaries of Xinyi Glass (note)	**—**	(229)

Note:

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

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	2018 *HK$'000*	2017 *HK$'000*
ASSETS		
Non-current asset		
Investments in subsidiaries	66,731	66,595
Current assets		
Prepayment and deposits	170	101
Amounts due from subsidiaries	249,485	57,850
Cash and cash equivalents	4,413	428
	254,068	58,379
Total assets	320,799	124,974
EQUITY		
Share capital	6,481	5,401
Reserves (Note a)	313,354	118,457
Total equity	319,835	123,858
LIABILITY		
Current liability		
Other creditors and accruals	964	1,116
Total liability	964	1,116
Total equity and liability	320,799	124,974

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

Balance sheet of the Company (Continued)

Note (a) Reserve movement of the Company

	Share premium HK$'000	Capital reserves HK$'000	Share option reserve HK$'000	Retained profit/ (accumulated losses) HK$'000	Total HK$'000
Balance as at 1 January 2017	102,769	13,487	—	4,959	121,215
Loss and total comprehensive loss for the year	—	—	—	(2,758)	(2,758)
Balance as at 31 December 2017 and 1 January 2018	102,769	13,487	—	2,201	118,457
Loss and total comprehensive loss for the year	—	—	—	(3,051)	(3,051)
Transaction with owners					
Issuance of ordinary shares upon rights issue, net of transaction costs	197,812	—	—	—	197,812
Employees share option scheme:					
– Value of employee services	—	—	136	—	136
	197,812	—	136	—	197,948
Balance as at 31 December 2018	**300,581**	**13,487**	**136**	**(850)**	**313,354**

31 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director and the chief executive officer for the year ended 31 December 2018 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	Wages and salaries	Bonus	Share-based compensation	Pension costs-defined contribution scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
LI Pik Yung	—	499	2,828	11	18	3,356
CHAN Chi Leung	—	840	70	11	18	939
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:						
NG Ngan Ho (appointed on 14 November 2018)	—	111	—	—	3	114
SHI Chit Yuk (resigned on 14 November 2018)	—	323	—	—	16	339
	540	1,773	2,898	22	55	5,288

31 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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	Wages and salaries	Bonus	Share-based compensation	Pension costs-defined contribution scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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

(a) *Directors' emoluments*

The remuneration shown above represents remuneration received from the Group by these directors and the chief executive in their capacities 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 (2017: none).

(b) *Directors' retirement benefits*

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the year ended 31 December 2018 (2017: Nil).

31 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(c) Directors' termination benefits

No payment was made to any directors as compensation for the early termination of the appointment during the year ended 31 December 2018 (2017: Nil).

(d) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of any directors for making available the services of them as a director of the Company during the year ended 31 December 2018 (2017: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2018 (2017: Nil).

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

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 ended 31 December 2018 (2017: Nil).

32 COMPARATIVE FIGURES

Certain comparative figures in the notes to the consolidated financial statements have been represented to conform to current year's presentation.

FINANCIAL SUMMARY

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

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**170,428**	110,305	49,320	45,864	42,505
Cost of revenue	**(124,424)**	(86,321)	(35,229)	(28,357)	(25,719)
Gross profit	**46,004**	23,984	14,091	17,507	16,786
Profit/(loss) before income tax	**73,462**	13,075	1,547	(2,649)	11,932
Income tax expense	**(14,366)**	(3,687)	(1,484)	(1,894)	(1,999)
Profit/(loss) for the year attributable to owners of the Company	**59,096**	9,388	63	(4,543)	9,933
ASSETS AND LIABILITIES					
Total assets	**445,156**	244,453	143,354	78,550	67,085
Total liabilities	**(68,682)**	(121,047)	(41,018)	(15,745)	(9,107)
Equity attributable to owners of the Company	**376,474**	123,406	102,336	62,805	57,978