Annual Report 2018

正美丰业

ZMFY Automobile Glass Services Limited

正美豐業汽車玻璃服務有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8135

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Corporate Information

DIRECTORS

Executive Directors

Mr. Xia Xiufeng *(Chairman and Chief Executive Officer)*
Mr. Lo Chun Yim
Mr. Lu Yongmin

Non-Executive Director

Mr. Liu Mingyong

Independent Non-Executive Directors

Mr. Jiang Bin
Mr. Luo Wenzhi

LEGAL ADVISERS

Loong & Yeung (as to Hong Kong laws)
Room 1603, 16/F
China Building
29 Queen's Road Central
Central, Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

AUTHORISED REPRESENTATIVES
(for the purpose of the GEM Listing Rules)

Mr. Xia Xiufeng
Mr. Lo Chun Yim

COMPANY SECRETARY

Mr. Chan Tsz Kit
HKICPA, AICPA, ACCA

COMPLIANCE OFFICER

Mr. Xia Xiufeng

AUDIT COMMITTEE MEMBERS

Mr. Jiang Bin *(Chairman)*
Mr. Liu Mingyong
Mr. Luo Wenzhi

REMUNERATION COMMITTEE MEMBERS

Mr. Luo Wenzhi *(Chairman) (appointed on 23 March 2018)*
Mr. Xia Xiufeng

NOMINATION COMMITTEE MEMBERS

Mr. Jiang Bin
Mr. Lu Yongmin

REGISTERED OFFICE

20/F Winbase Centre
208 Queen's Road
Central
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 12 Fengbei Road
Fengtai District
Beijing
China

PRINCIPAL PLACES OF BUSINESS IN HONG KONG

20/F Winbase Centre
208 Queen's Road
Central
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Beijing Rural Commercial Bank

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE ADDRESS

http://www.zmfy.com.hk

STOCK CODE

8135

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of ZMFY Automobile Glass Services Limited (the "**Company**"), I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018.

REVIEW

During the year ended 31 December 2018, the Group has entered into a new business segment, the finance leasing services, in accordance with the Board's strategy to continue to expand into the provision of financial services. In addition, during this year the Group has successfully obtained the approval from the Securities and Futures Commission ("**SFC**") to carry out Type 9 (Asset Management) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and has carried out business activities in the field.

BUSINESS PROSPECT AND LOOKING FORWARD

Going forward, the Board will try its best endeavour to seek suitable merger and acquisition opportunities and/or business collaboration to further expand into the financial services industry. Apart from strengthening the Group's automobile glass services and business consultancy services, the Group has a plan to further develop the finance leasing services, corporate finance advisory services and asset management services in the future, and expect the stable stream of income generated from these services.

APPRECIATION

On behalf of the Board, I would like to express my appreciation to the Group's management and staff for their unreservedly dedication to the Group. I would also like to express my gratitude to all business partners who continuously support and work with Group, and the shareholders who recognised the value and potential of the Group, for their on-going support.

Xia Xiufeng
Chairman

22 March 2019

BUSINESS REVIEW

The Group's total revenue for the year ended 31 December 2018 amounted to approximately RMB175,878,000, representing an increase of approximately RMB4,157,000 or 2.4% as compared to that of approximately RMB171,721,000 in 2017. Overall gross profit increased by approximately RMB6,575,000 or 8.3% to approximately RMB86,090,000 in 2018 from approximately RMB79,515,000 in 2017. The gross profit margin in 2018 increased to approximately 48.9% from approximately 46.3% in 2017.

The profit attributable to owners of the Company for the year ended 31 December 2018 amounted to approximately RMB22,283,000, representing an increase of approximately RMB11,270,000 as compared to that of approximately RMB11,013,000 in 2017. The increase was mainly derived from the profit generated from the expansion in business consultancy services and finance lease services, as well as the reduction of administrative expenses and net finance cost.

Sales of Automobile Glass with Installation/Repair Services and Trading of Automobile Glass

Revenue from sales of automobile glass with installation/repair services and trading of automobile glass were the largest source of revenue of the Group, representing approximately 58.3% of the Group's total revenue in 2018 (2017: 62.1%). Revenue from sales of automobile glass with installation/repair services are provided either at the Group's service centres to walk-in customers, or by the Group's motorcade service teams to customers requiring door-to-door services in China. Trading of automobile glass takes place as the Group purchases automobile glass from its automobile glass suppliers and then re-sells the same to industry peers and traders of automobile glass in China.

Revenue from sales of automobile glass with installation/repair services and trading of automobile glass decreased by approximately RMB4,132,000 or 3.9% from approximately RMB106,593,000 in 2017 to approximately RMB102,461,000 in 2018.

Provision of Installation Services of Photovoltaic System

Provision of installation services of photovoltaic system are mostly one-off or ad-hoc projects in nature, seldom providing a predictable and stable revenue stream to the Group; and therefore, are considered as a supplementary income source of the Group. Revenue from provision of installation services of photovoltaic system in 2018 was approximately RMB1,744,000 (2017: RMB2,601,000). The decrease in revenue was mainly attributable to the keen competition in the market in China.

Business Consultancy Services

On 18 September 2017, the Company issued 118,250,000 new shares based on the closing price of HK$0.55 per share, with total consideration approximately RMB54.75 million (equivalent to approximately HK$65.04 million) to purchase the entire issued share capital of CAS Valley Company Inc., and its subsidiaries (collectively referred as "**CAS Group**") which are engaged in the provision of advisory, investment consulting and management consulting services to enterprises in the PRC. After the acquisition of CAS Group, the Group has expanded to business consultancy services.

On 11 June 2018, ZM Asset Management Limited ("**ZM Asset**"), a wholly-owned subsidiary of the Company has obtained the approval from the Securities and Futures Commission ("**SFC**") to carry out Type 9 (Asset Management) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). ZM Asset was incorporated in Hong Kong in October 2017 to engage in the provision of securities advisory service and asset management. Subsequent to the obtaining of the licenses, the Company has expanded into investment advisory and asset management services in Hong Kong.

For the year ended 31 December 2018, the total revenue generated from the provision of business consultancy services was approximately RMB66,210,000 (2017: RMB62,527,000), reflecting an increase of 5.9% as the Group diversifies its sources of revenue.

Finance Lease Services

During the year ended 31 December 2018, The Group launched the finance lease services business, for which it derived revenue from the provision of services to its industrial customers in the PRC. For the year ended 31 December 2018, the revenue generated from finance lease services was approximately RMB5,463,000.

Gross Profit

The Group's gross profit increased by approximately RMB6,575,000 or 8.3% to approximately RMB86,090,000 in 2018 from approximately RMB79,515,000 in 2017. The gross profit margin in 2018 increased to approximately 48.9% from approximately 46.3% in 2017.

Other Gain or Loss

A net loss of approximately RMB3,834,000 was recorded for the year ended 31 December 2018, comprising of a loss allowance on finance lease receivables of approximately RMB5,488,000, offset with a gain on transfer of trademarks of approximately RMB959,000 and a gain on disposal of subsidiaries of approximately RMB81,000, respectively.

Loss allowance on finance lease receivables

The Group's finance lease customers are grouped under a provision matrix into five internal credit rating buckets (namely: Normal, Special- mentioned, Substandard, Doubtful and Loss) based on shared credit risk characteristics by reference to past default experience and current past due exposure of the customers. The estimated loss rates are estimated based on historically observed default rates over the expected life of the debtors, the realisation of collateral and guarantee and study of other corporates' default and recovery data from international credit-rating agencies, and are adjusted for forward-looking information that is available without undue cost or effort.

The customers of finance lease receivables as at 31 December 2018 are categorised based on the internal crediting rating and the estimated loss rate of 2.49% to 8.24% is applied. Accordingly, a loss allowance of approximately RMB5,488,000 was recognised in profit or loss during the year.

Going forward and as the Group further develops its business, Directors believe that impairment losses may arise (or decline) to reflect (i) an increase of finance lease receivables and a growing customer base; and (ii) an increase (or decline) in individual impairment allowance as subsequent collection of receivables takes place.

Selling and Distribution Costs

Selling and distribution costs increased by approximately 6.3% from approximately RMB18,224,000 in 2017 to approximately RMB19,373,000 in 2018. The increase was mainly due to an increase in rental expenses of approximately RMB962,000.

Administrative Expenses

The Group's administrative expenses mainly consist of professional fees, staff costs (including directors' remunerations and share-based payments expenses), depreciation and rental expenses. The total administrative expenses decreased by approximately 12.1% from approximately RMB36,473,000 in 2017 to approximately RMB32,074,000 in 2018. The decrease was mainly due to the resignation of certain eligible employees under the share award scheme adopted by the Company, and resulting reversal of previous equity-settled share-based charge, which was a non-cash charge of RMB2,550,000 in 2018. Equity-settled share-based payment expense was RMB1,812,000 in 2017.

Finance Cost, net

Net finance cost for the year ended 31 December 2018 amounted to approximately RMB368,000 (2017: RMB1,292,000). The decrease in finance cost was mainly attributable to the decrease in average loan balance on automobile glass business segment during the year.

Income Tax Expense

The Group's income tax expense was approximately RMB7,557,000 in 2018, decreased by 34.2% from approximately RMB11,478,000 in 2017. During the year ended 31 December 2017, a high level of income tax expense was mainly attributable to the significant increase in estimated assessable profits from business consultancy services and the significant deferred income tax expenses as a result of the utilisation of tax losses recognised during the business combination.

Profit for the Year

The Group recorded a net profit of approximately RMB22,884,000 for the year ended 31 December 2018, as compared to the net profit of approximately RMB12,059,000 for the year ended 31 December 2017. The increase in net profit for the year was mainly attributable to the increase in gross profit generated from expanding business segments of the Company and the reduced administrative expenses and net finance cost as the Company continued its effort in cost downsizing during the year.

Current Ratio

The Group's current ratio as at 31 December 2018 was 5.2, as compared with 4.3 as at 31 December 2017. The increase was mainly due to the decrease in trade and other payables in the Company's traditional automobile glass business segment.

Capital Structure

As at 31 December 2018, the Group had net assets of approximately RMB225,741,000 (2017: RMB195,185,000), comprising non-current assets of approximately RMB126,139,000 (2017: RMB69,226,000), and current assets of approximately RMB128,057,000 (2017: RMB164,162,000). The Group recorded a net current asset position of approximately RMB103,269,000 (2017: RMB126,285,000), primarily consisting of cash and cash equivalents of approximately RMB28,122,000 (2017: RMB66,000,000), inventories of approximately RMB34,518,000 (2017: RMB33,562,000), trade and other receivables of approximately RMB26,787,000 (2017: RMB27,822,000), finance lease receivables-current RMB37,734,000 (2017: Nil) and investments in equity instruments designated at fair value through other comprehensive income of approximately RMB647,000 (2017: Available-for-sale financial asset-current RMB36,529,000). Major current liabilities are trade and other payables of approximately RMB14,934,000 (2017: RMB30,500,000), bank borrowings of approximately RMB2,000,000 (2017: Nil) and income tax payables of approximately RMB7,854,000 (2017: RMB7,285,000).

Liquidity and Financial Resources

As at 31 December 2018, the Group's cash and cash equivalents amounted to approximately RMB28,122,000, representing a net decrease of approximately RMB37,878,000 as compared to that of approximately RMB66,000,000 as at 31 December 2017. Net cash outflows from operating activities amounted to approximately RMB99,542,000 (2017: inflows of RMB42,583,000). During the year ended 31 December 2018, the Group launched finance leasing operation, which resulted in cash outflows of approximately RMB104,592,000 to its finance lease customers. As at 31 December 2018, the Group had a short-term bank borrowings of RMB2,000,000 (2017: Nil). In view of the Group's current level of cash and bank balances, funds generated internally from our operations, the Board is confident that the Group will have sufficient resources to meet its finance needs for its operations.

Pledge of Assets

As at 31 December 2018, the Group had no assets pledged for bank borrowings or for other purposes (2017: Nil).

Contingent Liabilities

Save as disclosed in Note 39 to the consolidated financial statements, the Group did not have any significant contingent liabilities as at 31 December 2018 and 2017.

Capital Commitments

The Group did not have any significant capital commitments as at 31 December 2018 and 2017.

Foreign Exchange Risk

The Group mainly operates in China with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars. The foreign exchange rate risk with respect to HK$ is disclosed in Note 35.1(a) to the consolidated financial statements. During the year ended 31 December 2018, the Group did not hedge its exposure to foreign exchange.

Employees and Remuneration Policy

As at 31 December 2018, the Group employed a total of 321 employees (2017: 445 employees). The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the year ended 31 December 2018, the total staff costs (including directors' emoluments) amounted to approximately RMB44,936,000 (2017: RMB39,672,000).

The Group has adopted a share option scheme (the "**Option Scheme**") for its employees. Since the adoption of the Option Scheme, no share options have been granted, exercised, lapsed or cancelled, and as at 31 December 2018, no share options under the Option Scheme were outstanding.

On 12 October 2015, the Group adopted a share award scheme (the "**Award Scheme**") for its employees. On 12 November 2015, the Group granted 41,300,000 award shares to 16 employees (the "**Selected Participants**") under the Award Scheme. The award shares will be vested in full to the Selected Participants respectively in five tranches each over six years, with approximately 10% to be vested on the first tranche, 20% to be vested on each of the second and third tranches and 25% to be vested on each of the fourth and fifth tranches. On 11 January 2017, the Group granted 4,500,000 award shares to Mr. He Changsheng, a former executive Director, and these award shares will be vested in full in four tranches each over four years. During the year ended 31 December 2018, 9,220,000 award shares have been forfeited as a result of resignation of certain eligible employees, 1,050,000 award shares have been vested to an eligible employee due to her retirement. On 5 June 2018, the Board approved to accelerate vesting of 900,000 award shares to Mr. Xia Xiufeng ("**Mr. Xia**"), an executive Director and the only eligible employee, following the resignation of the employees who were eligible to participate in the Award Scheme on 4 June 2018. After the acceleration vesting to Mr. Xia, the Award Scheme was terminated with effect from 6 June 2018. In October 2018, all remaining award shares were disposed of by trustee of the Award Scheme to independent third parties of the Company. Accordingly, as at the date of this report, there is no outstanding award shares.

Future Plans for Material Investments or Capital Assets

The Group is currently looking to expand into the finance lease business in China. On 5 January 2018, a new subsidiary company ZM Leasing (Tianjin) Limited ("**ZM Leasing**") has been established by the Group in China with registered capital of USD100 million. ZM Leasing is principally engaged in the provision of finance leasing services in China and attributed a total revenue of approximately RMB5,463,000 for the year ended 31 December 2018.

Save as disclosed above and the business plan as disclosed in this report, the Group has no other plan for material investment or capital assets in the coming financial year. However, the Group will continue to explore new opportunity in other industries.

Material Acquisition and Disposal

On 21 December 2018, Shangshi Kuaiche (Hengqin) entered into an equity transfer agreement with Zimo Shanhe (Beijing) Wenhua Chuanmei Limited (梓墨山河(北京)文化傳媒有限公司) ("**Zimo Shanhe**"), pursuant to which Shanghai Kuaiche (Hengqin) shall sell and Zimo Shanhe shall purchase 8.35% equity interest in Taihe Zizaicheng Company Limited (太和自在城股份有限公司) ("**Taihe Zizaicheng**") at the consideration of RMB28,600,000 (equivalent to approximately HK$32,032,000). The disposal of Taihe Zizaicheng was completed on 28 December 2018. Following the completion of the disposal, the Group ceases to hold any equity interest in Taihe Zizaicheng. Please refer to the announcements of the Company dated 21 December 2018 and 31 December 2018 for further details.

On 21 December 2018, Shangshi Kuaiche (Hengqin) entered into an equity transfer agreement with Beijing Guanzuo Technology Limited (北京冠左科技有限公司) ("**Beijing Guanzuo**"), pursuant to which Shanghai Kuaiche (Hengqin) shall sell and Beijing Guanzuo shall purchase 17.81% equity interest in Sheng Zhu Li Dianzi Shangwu Company Limited (聖朱利電子商務股份有限公司) at the consideration of RMB10,220,000 (equivalent to approximately HK$11,446,400). Please refer to the announcements of the Company dated 21 December 2018 for further details.

Save as disclosed above, the Group did not have any material acquisition and disposal during the year ended 31 December 2018.

Litigation

Legal proceedings by Xinyi Automobile Glass (BVI) Company Limited ("Xinyi Glass (BVI)")

On 24 December 2014, the Company received an originating summons dated 23 December 2014 (the "**Originating Summons**") issued by Xinyi Glass (BVI) in the Court against the following persons:

(a) the Company as the 1st Defendant;

(b) the vendor in the Daqing Acquisition Agreement (the "**Vendor**"), as the 2nd Defendant;

(c) Xia Lu, who is a former executive Director and the former chief executive officer of the Company, as the 3rd Defendant;

(d) He Changsheng, who is a former executive Director, as the 4th Defendant;

(e) Li Honglin, who is a former executive Director, as the 5th Defendant;

(f) Natsu Kumiko, who is a former non-executive Director and the chairman of the Company, as the 6th Defendant;

(g) Fong William, who is a former independent non-executive Director, as the 7th Defendant;

(h) Chen Jinliang, who is a former independent non-executive Director, as the 8th Defendant;

(i) Ling Kit Wah Joseph, who is a former independent non-executive Director, as the 9th Defendant; and

(j) Aleta Global Limited, who is the holder of the Bonds nominated by the Vendor, as the 10th Defendant.

In the Originating Summons, Xinyi Glass (BVI) seeks, among others, the following orders:

(1) the Daqing Acquisition Agreement be declared void or, in the alternative, voidable;

(2) the Bonds issued to satisfy the consideration of the Daqing Acquisition Agreement, the conversion shares already allotted and issued to Aleta Global Limited and the remaining conversion shares to be allotted and issued to Aleta Global Limited as at the date of the Originating Summons be declared void or, in the alternative, voidable;

(3) in the event that the Daqing Acquisition Agreement and the Bonds are declared voidable, the Company, the Vendor and/or Aleta Global Limited be compelled to terminate and/or rescind the same; and

(4) in the alternative, damages from certain existing and former executive Directors; non-executive Directors and independent non-executive Directors.

The Company has appointed a firm of solicitors in Hong Kong to contest the same. As of the report date, the litigation is still ongoing but no step has been taken by Xinyi Glass to prosecute the same against all the defendants since 12 November 2015.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintaining a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance and to comply to the extent practicable, with the code provisions as set out in the Corporate Governance Code (the " **CG Code**") contained in Appendix 15 to the GEM Listing Rules.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xia is the chairman of our Board and the chief executive officer of the Company. During the period from 1 January 2018 to 23 March 2018, Mr. Xia was the chairman and non-executive director of the Group. Following the resignation of Ms. Xia Lu as an executive director and chief executive officer of the Group on 23 March 2018, Mr. Xia was re-designated as an executive director and chief executive officer of the Group on the same date. Given the fact that Mr. Xia joined the Group since July 2015, all the other Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. Xia is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group.

On 18 March 2019, Mr. Guo Mingang ("**Mr. Guo**") resigned as an independent non-executive director, a member of each of the audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and the chairman of the nomination committee (the "**Nomination Committee**") of the Company.

Following with the resignation of Mr. Guo, the Company has only two independent non-executive directors and two members in the Remuneration Committee and hence the number of the independent non-executive directors and the number of the Remuneration Committee have fallen below the minimum number required under Rule 5.05(1) and 5.34 of the GEM Listing Rules. Furthermore, the chairman of the Nomination Committee falls vacant and the members of Nomination Committee do not comprise a majority of independent non-executive directors and hence the Company no longer fulfills the requirements under code provision A.5.1 of the CG Code.

The Board will use its best endeavours to fill the vacancy of the independent non-executive Director, member of each of the audit committee and remuneration committee and the chairman of the nomination committee of the Company as soon as practicable and, in any event, within three months from the effective date of the resignation of Mr. Guo, pursuant to Rules 5.06 and 5.36 of the GEM Listing Rules.

Save for the deviation from the code provisions as mentioned above, the Board is satisfied that the Company had complied with all the code provisions of the CG Code, the Company has complied with all the code provisions set out under the CG Code throughout the year ended 31 December 2018.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standard of dealings and code of conduct concerning securities transactions by directors throughout the year ended 31 December 2018.

BOARD COMPOSITION

The Board comprises six Directors, one non-executive Director, three are executive Directors and two are independent non-executive Directors. The members of the Board throughout the year ended 31 December 2018 and up to 22 March 2019 are as follows:

Executive Directors

Mr. Xia Xiufeng *(Chief Executive Officer and Chairman, re-designated from a non-executive Director to an executive Director on 23 March 2018)*
Mr. Lo Chun Yim *(re-designated from a non-executive Director to an executive Director on 15 March 2018)*
Mr. Lu Yongmin *(appointed on 23 March 2018)*
Ms. Xia Lu *(resigned on 23 March 2018)*

Non-Executive Directors

Mr. Liu Mingyong

Independent Non-Executive Directors

Mr. Jiang Bin
Mr. Guo Mingang *(appointed on 23 March 2018 and resigned on 18 March 2019)*
Mr. Luo Wenzhi *(appointed on 23 March 2018)*
Mr. Chen Jinliang *(resigned on 23 March 2018)*
Mr. Han Shaoli *(resigned on 23 March 2018)*

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 25 to 28 in this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Group. Save as disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" above, the Company has complied with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules throughout the year relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board, and at least one of them having appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also met the guidelines for assessment of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has received an annual confirmation of independence from each of the independent non-executive Directors. The Company considers all the independent non-executive Directors to be independent.

Corporate Governance Report

THE BOARD

The Board is responsible for the leadership and control of, and promoting the success, of the Company. This is achieved by setting up corporate and strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Company.

All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

RESPONSIBILITIES AND DELEGATION OF FUNCTIONS

The Company has formalised and adopted terms on the division of functions reserved to the Board and those delegated to the management. The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary (the "**Company Secretary**") and senior management of the Company, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The day-to-day management, administration and operations of the Company are delegated to the Chief Executive Officer ("**CEO**") and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval.

COMPANY SECRETARY

During the period from 1 January 2018 to 9 August 2018, Mr. Sum Sui Lun ("**Mr. Sum**") was the Company Secretary. Mr. Sum is an associate member of CPA Australia and the Hong Kong Institute of Certified Public Accountants since 2000 and 2002 respectively. Mr. Sum has received relevant professional training of not less 15 hours to update his skills and knowledge for the year ended 31 December 2018.

Following the resignation of Mr. Sum, Mr. Chan Tsz Kit ("**Mr. Chan**") has been appointed as the Company Secretary with effect from 3 September 2018. A brief biography of Mr. Chan is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Mr. Chan has received relevant professional trainings of not less than 15 hours to update his skills and knowledge for the year ended 31 December 2018.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xia Xiufeng, Joseph, the chairman of the Company, was appointed as the CEO on 23 March 2018, and thus there has been no segregation of duties since his appointment. The Board has evaluated the current situation of the Group and taken into account of the experience and past performance of Mr. Xia Xiufeng, the Board was of the opinion that it was appropriate and in the best interest of the Company at the present stage for vesting the roles of the Chairman and the CEO of the Company in the same person as it helps to facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board will nevertheless review this structure from time to time and will consider the segregation of the two roles at the appropriate time.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from (i) 16 July 2015 (in respect of Mr. Xia Xiufeng); or (ii) 22 March 2016 (in respect of Mr. Lo Chun Yim); or (iii) 23 March 2018 (in respect of Mr. Lu Yongmin), all of which shall be renewed and extended automatically for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice to determine the same.

The non-executive Director, Mr. Liu Mingyong has entered into a service contract or letter of appointment with the Company for an initial term of three years with effect from 30 September 2015, which shall be automatically renewed and extended for successive terms of one year and may be terminated by either party giving not less than three months' prior written notice to determine the same.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from (i) 13 February 2015 (in respect of Mr. Jiang Bin) or (ii) 23 March 2018 (in respect of Mr. Guo Mingang and Mr. Luo Wenzhi), subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

The Directors are subject to retirement by rotation in accordance with the Company's articles of association. According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those who have been longest in office since their last re-election or appointment.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Board Diversity Policy**") throughout the year ended 31 December 2018. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including gender, age, ethnicity, knowledge and experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

The following measurable objectives have been set for implementing the Board Diversity Policy:

(a) at least 33% of the members of the Board shall have attained education from university or obtained accounting or other professional qualifications; and

(b) at least 33% of the members of the Board shall be independent non-executive Directors.

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The Nomination Committee would review the Board Diversity Policy to ensure its effectiveness and considered that the Group has achieved the measurable objectives for implementing the Board Diversity Policy throughout the year ended 31 December 2018.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

The Board meets regularly and additional meetings will be convened when considered necessary by the Board; 10 board meetings and 1 general meeting were held throughout the year ended 31 December 2018. The following is the Directors' attendance record of the board meetings and the general meetings of the Company:

	Number of attendance/ number of Board meetings	Number of attendance/ number of general meetings
Mr. Xia Xiufeng	10/10	1/1
Mr. Lo Chun Yim	6/10	1/1
Mr. Lu Yongmin	5/10	1/1
Ms. Xia Lu *(resigned on 23 March 2018)*	2/10	0/1
Mr. Liu Mingyong	9/10	1/1
Mr. Jiang Bin	7/10	1/1
Mr. Guo Mingang *(appointed on 23 March 2018 and resigned on 18 March 2019)*	5/10	1/1
Mr. Luo Wenzhi *(appointed on 23 March 2018)*	5/10	1/1
Mr. Chen Jinliang *(resigned on 23 March 2018)*	0/10	0/1
Mr. Han Shaoli *(resigned on 23 March 2018)*	1/10	0/1

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for annual Board meetings and draft agenda of each Board meeting are sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting (save as disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" above).

The Company Secretary is responsible for keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection. The Company's articles of association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

Pursuant to code provision A.6.5 of the CG Code, for the financial year ended 31 December 2018, all Directors had participated in continuous professional development in the following manner:

	Type of trainings
Mr. Xia Xiufeng	A, B, C
Mr. Lo Chun Yim	A, B, C
Mr. Lu Yongmin	A, B, C
Ms. Xia Lu *(resigned on 23 March 2018)*	B
Mr. Liu Mingyong	A, B, C
Mr. Jiang Bin	A, B, C
Mr. Guo Mingang *(appointed on 23 March 2018 and resigned on 18 March 2019)*	A, B, C
Mr. Luo Wenzhi *(appointed on 23 March 2018)*	A, B, C
Mr. Chen Jinliang *(resigned on 23 March 2018)*	B
Mr. Han Shaoli *(resigned on 23 March 2018)*	B

A: attending internal briefing session in relation to corporate governance
B: reading materials in relation to regulatory update
C: attending seminars/courses/conference to develop professional skills and knowledge

BOARD COMMITTEES

The Board has established three board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"), with written terms of reference which are available for viewing on the website of the Stock Exchange and the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 August 2013 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are mainly to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company.

As at the date of this report, the Audit Committee has three members comprising of two independent non-executive Directors and one non-executive Director, namely Mr. Jiang Bin (Chairman), Mr. Luo Wenzhi and Mr. Liu Mingyong. The Audit Committee had reviewed the final results of the Group for the year ended 31 December 2018, the annual report of the Group for the year ended 31 December 2018, interim results and report for the six months ended 30 June 2018, the quarterly results and reports for the periods ended 31 March 2018 and 30 September 2018. The Audit Committee had reviewed the Group's risk management and internal control system for the year. Based on the review conducted by the Audit Committee during the year ended 31 December 2018, members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that the risk management and internal control system of the Group are effective and adequate.

The change of the members of the Audit Committee during the year ended 31 December 2018 and up to the date of this report and the attendance of each member at the Audit Committee meeting held during the year ended 31 December 2018 are set out below. Figures on the right indicate the maximum number of meetings held in the period in which the individual was a member of the Audit Committee during the year ended 31 December 2018.

	Number of attendance/ number of meetings
Mr. Jiang Bin *(Chairman)*	4/4
Mr. Guo Mingang *(appointed on 23 March 2018 and resigned on 18 March 2019)*	3/4
Mr. Luo Wenzhi *(appointed on 23 March 2018)*	3/4
Mr. Liu Mingyong	2/4
Mr. Chen Jinliang *(resigned on 23 March 2018)*	0/4
Mr. Han Shaoli *(resigned on 23 March 2018)*	1/4

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 9 August 2013 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include mainly: (i) reviewing the terms of the remuneration package of each Director and member of senior management, (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them, and (iii) making recommendations to the Board on remuneration packages of individual executive Directors and senior management and remuneration of non-executive Directors.

As at the date of this report, the Remuneration Committee has two members comprising of one independent non-executive Director and one executive Director, namely Mr. Luo Wenzhi (Chairman) and Mr. Xia Xiufeng. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. Throughout the year ended 31 December 2018, one meeting of the Remuneration Committee was held to review the remuneration package and terms of service contracts of the Directors and senior management of the Group.

The change of the members of the Remuneration Committee during the year ended 31 December 2018 and up to the date of this report and the attendance of each member at the Remuneration Committee meeting held during the year ended 31 December 2018 are set out below. Figures on the right indicate the maximum number of meetings held in the period in which the individual was a member of the Remuneration Committee during the year ended 31 December 2018.

	Number of attendance/ number of meeting
Mr. Luo Wenzhi *(Chairman) (appointed on 23 March 2018)*	0/1
Mr. Guo Mingang *(appointed on 23 March 2018 and resigned on 18 March 2019)*	0/1
Mr. Xia Xiufeng	1/1
Mr. Han Shaoli *(Chairman) (resigned on 23 March 2018)*	1/1
Mr. Chen Jinliang *(resigned on 23 March 2018)*	0/1

NOMINATION COMMITTEE

The Company established the Nomination Committee on 9 August 2013 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive Directors. In reviewing and recommending the appointment of new Directors, the Nomination Committee would seek to identify the competencies required to enable the Board to fulfill its responsibilities. The Nomination Committee reviews the Board's composition under diversified perspectives, and monitors the implementation of the Board Diversity Policy annually.

As at the date of this report, the Nomination Committee has two members comprising of one independent non-executive Director and one executive Director, namely Mr. Jiang Bin and Mr. Lu Yongmin. Throughout the year ended 31 December 2018, one meeting of the Nomination Committee was held to review the structure, composition of the Board, the succession plan for the Board and proposed appointments of Directors.

The change of the members of the Nomination Committee during the year ended 31 December 2018 and up to the date of this report and the attendance of each member at the Nomination Committee meeting held during the year ended 31 December 2018 are set out below. Figures on the right indicate the maximum number of meetings held in the period in which the individual was a member of the Nomination Committee during the year ended 31 December 2018.

	Number of attendance/ number of meeting
Mr. Guo Mingang *(Chairman) (appointed on 23 March 2018 and resigned on 18 March 2019)*	0/1
Mr. Jiang Bin	1/1
Mr. Lu Yongmin *(appointed on 23 March 2018)*	0/1
Mr. Chen Jinliang *(Chairman) (resigned on 23 March 2018)*	0/1
Ms. Xia Lu *(resigned on 23 March 2018)*	1/1

CORPORATE GOVERNANCE

The Board is entrusted with the overall responsibility of developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Company's employees and Directors; and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Throughout the year ended 31 December 2018, the Board reviewed and monitored the training and continuous professional development of the Directors and Company Secretary to comply with the CG Code and the GEM Listing Rules. Further, the Board also reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements and noted that the Group has complied with the relevant legal and regulatory requirements in all material respects for the year (save as disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" above). The Board also reviewed the employees' manual applicable to the employees of the Company. Lastly, the Board reviewed the Company's compliance with the CG Code and the disclosure of the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Each of the Directors understand and acknowledge his responsibility for the preparation of the consolidated financial statements, which give a true and fair view of the financial position and the financial performance of the Group in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622). The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this annual report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REMUNERATION

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the year ended 31 December 2018, the remuneration paid or payable to the auditors of the Company in respect of the statutory audit services was approximately HK$2,000,000 (equivalent to approximately RMB1,690,000) (2017: HK$1,800,000 (equivalent to approximately RMB1,552,000)).

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard shareholder investments and Company assets. The risk management and internal control system of the Group aims to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board, has conducted a review of its risk management and internal control system to ensure an effective and adequate risk management and internal control system in place. Based on the recommendations from the Audit Committee and the report prepared by an independent accounting firm, the Directors are satisfied with the risk management and internal control systems and consider that the Company has implemented a series of procedures for safeguarding the Company's assets against unauthorised use or misappropriation, maintaining accounting records properly, ensuring the reliability of financial information and ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. The Directors will continue to review the need for setting up an internal audit function should the need arise.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.zmfy.com.hk and meetings with investors and analysts.

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholders' interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to article 64 of the articles of association of the Company, an extraordinary general meeting of the Company ("**EGM**") may be convened by the Board on requisition of one or more shareholders (the "**Requisitionist(s)**") 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 meeting (the "**Requisition**"). Such Requisition shall be made in writing to the Directors or the Company Secretary and sent to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report). For the purpose of requiring an EGM to be called by the Directors, such Requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionist(s). The EGM shall be held within two months after the deposit of such Requisition. If the Board fails to proceed to convene such EGM within 21 days of the deposit of such Requisition, 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.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong branch share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Shareholders are reminded to lodge their questions together with their detailed contact information for prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information to the Company's principal place of business in Hong Kong.

The identity of such shareholder and his/her/its request will be verified with the Company's Hong Kong branch share registrar and upon confirmation by the Hong Kong branch share registrar that the request is proper and in order and made by a shareholder of the Company, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders of the Company for consideration of the Proposal raised by such shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting; and

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an extraordinary general meeting other than by way of a special resolution of the Company.

During the year ended 31 December 2018, there is no change in the Company's constitutional documents.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Xia Xiufeng (夏秀峰), also known as Mr. Osaka Masami, aged 58, is an executive Director appointed on 23 March 2018. He is also the chairman of the Company and the director of sales of 天津豐業新能源科技有限公司 (Tianjin Fengye New Energy Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company. Mr. Xia served in the army under the 國防科學技術委員會 (Commission of Science and Technology for National Defence*) in the PRC from 1977 to 1981. Mr. Xia then worked as an officer at the 北京市科學技術委員會計算中心 (Computing Center of the Beijing Municipal Science and Technology Commission*) from August 1981 to August 1987. He also attended 北京市西城區職工大學 (Beijing Xicheng District Vocational College*) from September 1983 to July 1987 and graduated in Chinese studies. Mr. Xia later completed a course in Japanese language studies at 日本東京學院 (Academy of Tokyo*) from October 1987 to March 1989. He furthered his education in social studies as a graduate student at the 日本東京學藝大學 (Tokyo Gakugei University*) from April 1989 to March 1991. Mr. Xia was the president of 日本全日通株式會社 (Zennitsu Co., Ltd.*) from September 1992 to October 2010. He is currently engaged in management positions of various companies, including the chairman of 日本ISA株式會社 (ISA Co., Ltd.*) since December 1996, the chairman of ISA Co., Limited (ISA(香港)有限公司*) since December 2009, a director of Hirokou Co., Limited (宏幸實業(香港)有限公司) since December 2010 and a director of Zennitsu Co., Limited (香港全日通有限公司*) since May 2014.

As at 31 December 2018, Mr. Xia is the sole shareholder of Lu Yu Global Limited ("**Lu Yu**"), and therefore he is interested in the 216,000,000 Shares held by Lu Yu within the meaning of Part XV of the SFO. In addition, Mr. Xia is interested in 1,000,000 Shares within the meaning of Part XV of the SFO.

Mr. Lo Chun Yim (盧春熖), aged 49, was a non-executive Director appointed on 22 March 2016 and has been re-designated to an executive Director from 15 March 2018. He is a substantial shareholder of the Company interested in approximately 16.04% of the total issued share capital of the Company as at 31 December 2016. Mr. Lo has extensive experience in investment management and is participating in financing lease business in the PRC since 2016. Mr. Lo is currently a director of Rise Grace Development Limited ("**Rise Grace**"), a company incorporated in Hong Kong with limited liability which is principally engaged in the provision of investment consultancy services, and Diamond Galaxy Limited ("**Diamond Galaxy**"), a company incorporated in the British Virgin Islands with limited liability, both of which are substantial shareholders of the Company.

As at 31 December 2018, Mr. Lo is the sole beneficial shareholder of Diamond Galaxy, which is the sole beneficial shareholder of Rise Grace holding 106,000,000 shares of the Company, and he is the beneficial shareholder of Urban Emotions Ltd which holds 29,562,500 shares of the Company. Therefore, Mr. Lo is interested in 135,562,500 shares of the Company within the meaning of Part XV of the SFO.

* *For identification purpose only*

Mr. Lu Yongmin (盧勇敏), aged 54, is the founder of the CAS Valley Company Inc, a subsidiary of the Group, and is an executive Director appointed on 23 March 2018. Mr. Lu has graduated from Xian University of Architecture and Technology (西安建築科技大學) with a bachelor degree in environmental engineering in October 1994. Mr. Lu has subsequently obtained a master in business administration from Dalian University of Technology (大連理工大學) in August 2000. From October 1986 to March 1997, he was an engineer of China Coal Science Group Shenyang Design Institute Co., Ltd. (中煤科集團沈陽設計研究院有限公司) and was responsible for engineering design. From February 1999 to July 2007, he was an assistant general manager and secretary to the board of directors of Songdu Jiye Investment Co., Ltd. (宋都基業投資股份有限公司) (previously known as Liaoning Guoneng Group (Holdings) Co., Ltd. (遼寧國能集團股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600077) and was responsible for operation and production management. Since 2007 until now, he has been the chief executive officer of Oriental Valley (Beijing) International Investment Co., Ltd. (潤谷東方(北京)國際投資有限責任公司).

As at 31 December 2018, Mr. Lu is the beneficial shareholder of YinHe Holding Limited and therefore he is interested in the 48,281,475 shares of the Company held by YinHe Holding Limited within the meaning of Part XV of the SFO.

Non-executive Director

Mr. Liu Mingyong (劉明勇), aged 48, is a non-executive Director appointed on 30 September 2015. He is also a member of the Audit Committee. Mr. Liu obtained a bachelor's degree in economics from the School of Economics and Trade at 中國礦業大學 (China University of Mining and Technology*) in July 1992. He obtained the qualification of senior accountant in 2004. Mr. Liu worked as the finance supervisor at 中國地方煤炭總公司 (China Local Coal Corporation*) from May 1992 to July 1995. He then worked as the finance manager at 中國鄉鎮企業投資開發有限公司 (China Township Enterprise Investment & Development Company Limited*) from August 1995 to July 1998. Mr. Liu worked as the finance general manager at 豪力機械(中國)有限公司 (Haoli Machinery (China) Co., Ltd.*) from August 1998 to October 1999. He joined 北京海淀科技發展有限公司 (Beijing Haidian Science & Technology Development Co., Ltd.*) since November 1999 and became the deputy general manager in March 2014 and was in charge of the company's financial, investment and real estate businesses. From October 2006 to May 2011, Mr. Liu served successively as supervisor, director and the vice chairman at 中墾農業資源開發股份有限公司 (Zhongken Agricultural Resource Development Co., Ltd.*), a company listed on the Shanghai Stock Exchange (stock code: 600313) and now known as 中農發種業集團股份有限公司 (Zhongnongfa Seed Industry Group Co., Ltd*). Since October 2010 and June 2013 respectively, he was also a director at 北京三聚環保新材料股份有限公司 (Beijing Sanju Environmental Protection and New Materials Co., Ltd.*), a company listed on the Shenzhen Stock Exchange (stock code: 300072), and 北京海科融通支付服務股份有限公司 (Beijing Haike Rongtong Payment Services Co., Ltd.*).

* *For identification purpose only*

Independent non-executive Directors

Mr. Jiang Bin (姜斌), aged 48, is an independent non-executive Director appointed on 13 February 2015. Mr. Jiang is also a member of the Nomination Committee and the chairman of the Audit Committee. Mr. Jiang has over 18 years of professional experiences in accounting, auditing and financial consulting. Mr. Jiang obtained a bachelor degree in economics from Renmin University of China in July 1993. He obtained a master degree in money and banking from Graduate School of Chinese Academy of Social Sciences in April 1999. He obtained the qualification of Chinese Certified Public Accountant in 1999. Mr. Jiang worked as an assistant accountant, chief accountant and assistant general manager in 北辰國際經濟技術合作公司 (Beijing North Star International Economy Technical Collaboration Company*) from August 1993 to January 1996. He worked as an assistant auditor, project manager, senior project manager and audit manager in 中華會計師事務所 (Beijing ZhongHua Certified Public Accountants*) from January 1996 to October 2000. He worked as a department manager of the audit department, deputy general manager and vice chief accountant in 中瑞岳華會計師事務所有限公司 (Beijing Office of RSM China Certified Public Accountants*) from October 2000, and has been a partner since 2007. He was also an independent non-executive director of Shunfeng International Clean Energy Limited (stock code: 1165), a company listed on the Main Board of the Stock Exchange, from February 2013 to July 2013.

Mr. Luo Wenzhi (羅文志), aged 48, is an independent non-executive Director appointed on 23 March 2018. Mr. Luo graduated from the Renmin University of China (中國人民大學) with a bachelor degree in economics in July 1992 and has obtained a master of laws from the Renmin University of China (中國人民大學) in July 2001. He has more than 15 years of experience in the field of capital market. From July 2001 to June 2002, Mr. Luo was a paralegal of EY Chen & Co. Law Firm (瑛明律師事務所). From July 2002 to January 2007, Mr. Luo was a lawyer of Zhong Yin Law Firm (中銀律師事務所). From January 2007 to June 2017, Mr. Luo was a lawyer of Bastion Law Firm (邦盛律師事務所). Since July 2017 until now, Mr. Luo is a lawyer of W&H Law Firm (煒衡律師事務所). Mr. Luo also served as a director of Guangdong Dongfang Precision Science & Technology Co., Ltd (廣東東方精工科技股份有限公司) (listed on the Shenzhen Stock Exchange: stock code: 002611) from May 2013 to July 2013.

Senior Management

Mr. Cao Yongsheng (曹永勝), aged 44, is the chief financial officer of the Company. Mr. Cao graduated from the Shanghai University of Finance and Economics (上海財經大學) in 2008 with a master degree in business administration. He has over 16 years of experience in accounting and financial management and is qualified as an accountant in the People's Republic of China. He worked as manager in an audit firm in China from 1999 to 2002. Mr. Cao then worked as a financial controller of Wanrong Sanjiu Pharmaceutical Co., Ltd. (萬榮三九藥業有限公司) from 2003 to 2007. For the period from 2007 to 2016, Mr. Cao joined Petrochemical Yinkeboxing Information Technology Co., Ltd. (石化盈科信息技術有限責任公司) as a branch departmental manager and responsible for financial and human resources matter. Mr. Cao was a deputy general manager and chief financial officer of Hainan Huanyu New Energy Co., Ltd. (海南環宇新能源有限公司) from July 2017 to July 2018. Mr. Cao joined the Company in August 2018.

* *For identification purpose only*

Company Secretary

Mr. Chan Taz Kit (陳子杰), aged 42, is the company secretary of the Company. Mr. Chan holds a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University and a Master of Business Administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Chan has over 9 years of experience in accounting, financial management, merger and acquisition, capital market financing and listing compliance. Mr. Chan joined the Company in September 2018.

* *For identification purpose only*

The Directors are pleased to present their report and the audited financial statements of ZMFY Automobile Glass Services Limited (the "**Company**") and its subsidiaries (together, the "**Group**") for the year ended 31 December 2018.

USE OF PROCEEDS

On 3 September 2013, the Company issued 100,000,000 new shares by way of placing (the "**Share Placing**"). All such shares issued were ordinary shares and the 100,000,000 new shares were issued at HK$0.45 per share. The net proceeds of the Share Placing received by the Company were approximately HK$32,639,000 (equivalent to approximately RMB25,761,000).

During the period from the latest practicable date (the "**LPD**") (as defined in the Prospectus) to 31 December 2018, the net proceeds from the Share Placing had been applied as follows:

Business objectives as stated in the Prospectus for the period from the LPD to 31 December 2018	**Planned use of proceeds as stated in the Prospectus from the LPD to 31 December 2018** (HK$ million) (Note)	**Actual use of proceeds from the LPD to 31 December 2018** (HK$ million)
1. Setting up new service centres	19.4	9.1
2. Merger, acquisitions and business collaboration	10.9	10.9
3. General working capital	2.3	2.3
Total	32.6	22.3

Note: This sum represents an aggregate amount of the planned use of proceeds as stated in the Prospectus from the LPD to 31 December 2018 being adjusted based on the amount of actual net proceeds in the same manner and proportion as shown in the Prospectus.

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.

Report of the Directors

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the sales of automobile glass with installation/repair services, trading of automobile glass, provision of business consultancy services and finance leasing services in China. The principal activities and other particulars of the Company's subsidiaries are set out in Note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group are set out in the consolidated statement of profit or loss and other comprehensive income on pages 59 to 60.

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in Note 22 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Detail of retirement schemes of the Group are set up under Note 4 (q) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in Note 13 to the consolidated financial statements.

CAPITALISATION OF INTEREST

The Group has no interest capitalised during the year ended 31 December 2018.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB107,049,000 (2017: RMB140,471,000) as set out in Note 22 to the consolidated financial statements.

CLOSURE OF THE REGISTER OF MEMBER

The register of members of the Company will be closed from Monday, 6 May 2019 to Thursday, 9 May 2019, both dates inclusive, during which period no transfer of shares of the Company could be registered for determination of entitlement of shareholders of the Company to the attendance at the forthcoming annual general meeting of the Company. In order to qualify for attending the annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Friday, 3 May 2019.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the audited financial statements in this and prior years' annual report, is set out on page 162 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

Save as the disclosed in the aforementioned disposal of the award shares, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 27.8% (2017: 22.2%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 7.5% (2017: 8.2%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 57.3% (2017: 52.9%) of the total purchase for the year and goods supplied from the Group's largest supplier included therein amounted to approximately 19.7% (2017: 20.2%) of the total purchase for the year. A substantial shareholder of the Company, Xinyi Glass Holdings, through Xinyi Glass (BVI), is one of the top 5 suppliers.

Save for as disclosed above, none of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

BUSINESS REVIEW

A review of the development, performance and position of the business of the Company and the principal risks and uncertainties faced by the Company are set out in the section headed "Management Discussion and Analysis" of this annual report and Note 35 to the consolidated financial statements.

During the year ended 31 December 2018, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

Disclosures related to the Group's environmental policies and performances are included in the Environmental, Social and Governance Report on pages 44 to 52 of the annual report.

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long term goals. We have long and good relationships with our suppliers and customers with mutual trust. Accordingly, our management have kept good communications, promptly exchanged ideas and shares market update with them when appropriate. During the year ended 31 December 2018, there were no material and significant dispute between the Group and its suppliers and/or customers.

Employees are the valuable assets of the Group. The Group strives to motivate its employees with a clear career path and improvement of their skills by providing both internal and external training. The Group put efforts into providing staff with harmonious, positive and inspiring working environment. By providing employees with a good environment and competitive trainings, employees' productivities and their performance are greatly improved.

SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employees of the Company or any members of the Group (the "**Participants**"). The purpose of the Scheme is for the Group to reward, retain and motivate the Participants to strive for future development and expansion of the Group. The Company conditionally adopted a share option scheme (the "**Scheme**") on 9 August 2013 whereby the Board is authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Participant. The Scheme will be valid and effective for a period of ten years commencing from the date on which the Scheme is adopted.

As at the date of this report, the total number of shares available for issue under the Scheme is 40,000,000 shares, representing 6.05% of the issued share capital of the Company.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "**Option**"), the Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted. The subscription price for the shares under the Scheme will be a price determined by the Board in its absolute discretion at the time of grant of the relevant Option and notified to each Participant and shall be no less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the relevant Option is granted which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the relevant Option is granted; and (iii) the nominal value of a share of the Company.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue from the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. Unless otherwise determined by the Board, there is no minimum period for which an Option must be held before it can be exercised.

Subject to the provisions of the Scheme, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the relevant class of securities of the Company in issue.

Since the adoption of the Scheme, no share options have been granted, exercised, lapsed or cancelled, and as at 31 December 2018, no share options under the Scheme were outstanding.

SHARE AWARD SCHEME

On 12 October 2015, the Company adopted a share award scheme (the "**Award Scheme**") for its employees. On 12 November 2015, the Group granted 41,300,000 award shares to 16 employees (the "**Selected Participants**") under the Award Scheme. The award shares will be vested in full to the Selected Participants respectively in five tranches each over six years, with approximately 10% to be vested on the first tranche, 20% to be vested on each of the second and third tranches and 25% to be vested on each of the fourth and fifth tranches. On 11 January 2017, the Group granted 4,500,000 award shares to Mr. He Changsheng, a former executive Director, and these award shares will be vested in full in four tranches each over four years.

During the year ended 31 December 2018, 9,220,000 award shares (Year ended 31 December 2017: 24,720,000 award shares) have been forfeited and lapsed as a result of resignation of certain eligible employees, 1,050,000 award shares have been vested to an eligible employee due to her retirement. On 5 June 2018, the Board approved to accelerate vesting of 900,000 award shares to Mr. Xia, an executive Director and the only eligible employee, following the resignation of the employees who were eligible to participate in the Award Scheme on 4 June 2018. After the acceleration vesting to Mr. Xia, the Award Scheme was terminated with effect from 6 June 2018.

In October 2018, all remaining award shares were disposed of by the trustee of the Share Award Scheme to independent third parties of the Company. Accordingly, as at 31 December 2018, there is no outstanding award shares.

Report of the Directors

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report were:

Executive Directors

Mr. Xia Xiufeng *(Chief Executive Officer and Chairman, re-designated from a non-executive Director to an executive Director on 23 March 2018)*
Mr. Lo Chun Yim *(re-designated from a non-executive Director to an executive Director on 15 March 2018)*
Mr. Lu Yongmin *(appointed on 23 March 2018)*
Ms. Xia Lu *(resigned on 23 March 2018)*

Non-Executive Director

Mr. Liu Mingyong

Independent Non-Executive Directors

Mr. Jiang Bin
Mr. Guo Mingang *(appointed on 23 March 2018 and resigned on 18 March 2019)*
Mr. Luo Wenzhi *(appointed on 23 March 2018)*
Mr. Chen Jinliang *(resigned on 23 March 2018)*
Mr. Han Shaoli *(resigned on 23 March 2018)*

Pursuant to Article 84(1) of the Company's article of association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Pursuant to Article 83(3) of the Company's articles of association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and be subject to re-election at such meeting.

By virtue of Articles 84(1) of the articles of the association of the Company, Mr. Lu Yongmin, Mr. Jiang Bin and Mr. Luo Wenzhi will retire at the forthcoming annual general meeting. Mr. Lu Yongmin, Mr. Jiang Bin and Mr. Luo Wenzhi, being eligible, will offer themselves for re-election at the annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 25 to 28 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from (i) 16 July 2015 (in respect of Mr. Xia Xiufeng); or (ii) 22 March 2016 (in respect of Mr. Lo Chun Yim); or (iii) 23 March 2018 (in respect of Mr. Lu Yongmin), all of which shall be renewed and extended automatically for successive terms of one year unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice to determine the same.

The non-executive Director, Mr. Liu Mingyong has entered into a service contract or letter of appointment with the Company for an initial term of three years with effect from 30 September 2015, which shall be automatically renewed and extended for successive terms of one year and may be terminated by either party giving not less than three months' prior written notice to determine the same.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from (i) 13 February 2015 (in respect of Mr. Jiang Bin) or (ii) 23 March 2018 (in respect of Mr. Guo Mingang and Mr. Luo Wenzhi), all of which shall be automatically renewed and extended for successive terms of one year and may be terminated by either party giving at least three months' written notice. The appointments are subject to the provisions of the articles of association with regard to vacation of office of directors, removal and retirement by rotation of directors.

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 9 to the consolidated financial statements, none of the Directors (or an entity connected with the Directors) or controlling shareholders or any of their subsidiaries had material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during the year ended 31 December 2018.

MANAGEMENT CONTRACT

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2018.

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2018, the Directors were not aware of any business or interest of each of the Directors, controlling shareholders and their respective close associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of the Company (the "Shares") and underlying Shares of the Company

Name of Director	Nature of interest	Number of shares and underlying Shares held	Approximate percentage of shareholding (%)
			(Note 4)
Xia Xiufeng	Beneficial owner	1,000,000 (Note 1)	0.13%
	Interest in a controlled corporation	216,000,000 (Note 1)	27.23%
Lo Chun Yim	Interest in controlled corporations	135,562,500 (Note 2)	17.10%
Lu Yongmin	Interest in a controlled corporation	48,281,475 (Note 3)	6.09%

Notes:

(1) Mr. Xia Xiufeng ("**Mr. Xia**") was beneficially holding 1,000,000 Shares of the Company and indirectly holding 216,000,000 shares of the Company through Lu Yu Global Limited ("**Lu Yu**"). Lu Yu, a company incorporated in the British Virgin Islands (the "**BVI**") on 21 April 2011 and an investment holding company, was wholly and beneficially owned by Mr. Xia. Mr. Xia was therefore deemed to be interested in the 216,000,000 Shares held by Lu Yu by virtue of the SFO.

(2) The 135,562,500 Shares represent 106,000,000 Shares held by Rise Grace and 29,562,500 Shares held by Urban Emotions Ltd ("**Urban**"). Rise Grace is a company incorporated in Hong Kong on 5 November 2009 and an investment holding company. Rise Grace was wholly and beneficially owned by Diamond Galaxy Limited, which was in turn wholly and beneficially owned by Mr. Lo Chun Yim, an executive Director of the Company. On the other hand, Urban was a company incorporated in the BVI with limited liability which was directly wholly-owned by Mr. Lo Chun Yim. Accordingly, Mr. Lo Chun Yim was deemed to be interested in all the Shares in which Rise Grace and Urban were interested by virtue of the SFO. On 7 August 2018, Rise Grace pledged 106,000,000 Shares to Dongxing Securities (Hong Kong) Financial Holdings Limited.

(3) These Shares were held by YinHe Holding Limited ("**YinHe**"), a company incorporated in the BVI and an investing holding company, was wholly owned by Mr. Lu Yongmin, an executive Director of the Company. Mr. Lu Yongmin was deemed to be interested in all the Shares held by YinHe by virtue of the SFO.

(4) The approximate percentage of shareholding is calculated based on the total number of issued Shares of the Company as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, none of the Directors or the chief executive of the Company had any other interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2018, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares and underlying Shares of the Company

Name of shareholder	Nature of interest	Number of shares and underlying Shares held	Approximate percentage of shareholding (%)
			(Note 9)
Lu Yu (Note 1)	Beneficial owner	216,000,000	27.23%
Rise Grace (Note 2)	Beneficial owner	106,000,000	13.36%
Diamond Galaxy Limited (Note 2)	Interest in a controlled corporation	106,000,000	13.36%
Xinyi Automobile Glass (BVI) Company Limited ("**Xinyi Glass (BVI)**") (Note 3)	Beneficial owner	120,360,000	15.17%
Xinyi Glass Holdings Limited ("**Xinyi Glass Holdings**") (Note 3)	Interest in a controlled corporation	120,360,000	15.17%
YinHe (Note 4)	Beneficial owner	48,281,475	6.09%
Ms. Lu Hong (Note 5)	Interest of spouse	48,281,475	6.09%
Mr. Hong Man Chu (Note 6)	Interest of spouse	135,562,500	17.10%
Dongxing Securities (Hong Kong) Financial Holdings Limited (Note 7)	Security Interest	106,000,000	13.36%
Dongxing Securities Co., Ltd (Note 7)	Interest in a controlled corporation	106,000,000	13.36%

Notes:

(1) Lu Yu, a company incorporated in the BVI on 21 April 2011 and an investment holding company, was wholly and beneficially owned by Mr Xia. Mr. Xia was deemed to be interested in the 216,000,000 Shares held by Lu Yu by virtue of the SFO.

(2) These Shares were held by Rise Grace, a direct wholly-owned subsidiary of Diamond Galaxy Limited, which was in turn wholly-owned by Mr. Lo Chun Yim. Therefore, each of Mr. Lo Chun Yim and Diamond Galaxy Limited was deemed to be interested in all the Shares in which Rise Grace was interested by virtue of the SFO.

(3) Xinyi Glass (BVI), a company incorporated in the BVI on 13 June 2012 and an investment holding company, was wholly and beneficially owned by Xinyi Glass Holdings. Therefore, Xinyi Glass Holdings was deemed to be interested in all the Shares in which Xinyi Glass (BVI) was interested by virtue of the SFO.

(4) YinHe, a company incorporated in the BVI and an investing holding company, was wholly and beneficially owned by Mr. Lu Yongmin. Mr. Lu Yongmin was deemed to be interested in the 48,281,475 Shares held by YinHe by virtue of the SFO.

(5) Ms. Lu Hong is the spouse of Mr. Lu Yongmin and she was therefore deemed to be interested in the Shares in which Mr. Lu Yongmin is interested by virtue of the SFO.

(6) Ms. Hong Man Chu is the spouse of Mr. Lo Chun Yim and she was therefore deemed to be interested in the Shares in which Mr. Lo Chun Yim is interested by virtue of the SFO.

(7) Dongxing Securities (Hong Kong) Financial Holdings Limited, a company incorporated in Hong Kong on 17 July 2015, was wholly and beneficially owned by Dongxing Securities Co., Ltd. On 7 August 2018, Rise Grace pledged 106,000,000 Shares to Dongxing Securities (Hong Kong) Financial Holdings Limited. Therefore, Dongxing Securities Co., Ltd was deemed to be interested in all the Shares in which Dongxing Securities (Hong Kong) Financial Holdings Limited was interested by virtue of the SFO.

(8) The approximate percentage of shareholding is calculated based on the total number of issued Shares of the Company as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other persons (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

Save as disclosed in the paragraphs headed "CORPORATE GOVERNANCE PRACTICES" in the Corporate Governance Report, the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2018.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement. No option was granted, exercised or lapsed under the share option scheme of the Company for the year ended 31 December 2018. During the year, certain share awards were granted to the Directors and employees.

The remuneration of the senior management (including the Directors) of the Group by band for the year ended 31 December 2018 is set out below:

Remuneration bands	Number of senior management
Nil to RMB845,000 (HK$ Nil to HK$1,000,000)	12
RMB845,001 to RMB1,267,000 (HK$1,000,001 to HK$1,500,000)	1
Over RMB1,267,000 (Over HK$1,500,001)	–
	13

Further details of the Directors' remuneration and the five highest paid employees are set out in Note 9 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group for the year ended 31 December 2018 are set out in note 36 to the consolidated financial statements. Save for the purchase of inventories from fellow subsidiaries of Xinyi Glass Holdings (which is further summarised in the paragraph headed "Continuing Connected Transactions" below), all other related party transactions constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the purchase of inventories from the fellow subsidiaries of Xinyi Glass Holdings.

CONTINUING CONNECTED TRANSACTIONS

As at 31 December 2018, Xinyi Glass Holdings was indirectly interested in 15.17% of the share capital of the Company, as such, the transactions entered into by the Group with Xinyi Glass Holdings and its subsidiaries (the "**Xinyi Glass Group**") constituted non-exempt continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Details of such continuing connected transactions and the principal terms of the relevant agreement are set out below:

On 29 December 2015, the Group entered into a framework supply agreement with Xinyi Automobile Parts (Tianjin) Co., Ltd. ("**Xinyi (Tianjin)**") (the "**Supply Agreement**") pursuant to which, Xinyi Glass Group has agreed to supply automobile glass (the "**Xinyi Goods**") to the Group upon request from time to time, for a term of three years commencing from 1 January 2016 and ending on 31 December 2018.

The purchases of the Xinyi Goods from Xinyi Glass Group will be on an order-by-order basis, subject to the terms and conditions set out therein as follows: (i) at prices to be agreed between Xinyi Glass Group and the Group from time to time, which in any event shall be no less favourable than the then prevailing market price of the same type and quality of the products for comparable quantity; and (ii) on normal and usual commercial terms which are no less favourable than those applicable to the purchases of the same type and quality of the products for comparable quantity by the Group from independent third parties. Under the Supply Agreement, the maximum aggregate annual amount (inclusive of tax) of the purchase price payable by the Group to Xinyi Glass Group in respect of the supply of the Xinyi Goods should not exceed the applicable limits of RMB27.0 million, RMB28.0 million and RMB29.0 million for the years ending 31 December 2016, 2017 and 2018, respectively. The amount of total purchases (inclusive of tax) from Xinyi Glass Group for the year ended 31 December 2018 under the Supply Agreement amounted to approximately RMB13,749,000 (2017: RMB16,084,000).

A new supply agreement regarding Xinyi Goods was entered into on 1 January, 2019, details of which are set out in the section headed "Events After The Reporting Period" of this Report.

Confirmation of independent non-executive Directors

The Independent non-executive Directors have, for the purpose of Rule 20.53 of GEM Listing Rules reviewed the above continuing connected transactions and confirmed that these transactions:

(1) have been entered into in the ordinary and usual course of business of the Group;

(2) have been entered into on normal commercial terms or better;

(3) have been entered into in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(4) have not exceeded the annual cap for the year ended 31 December 2018.

The Company also confirmed that it has complied with the disclosure requirements as applicable to the aforementioned continuing connected transactions under Chapter 20 of the GEM Listing Rules.

Confirmation of auditor of the Company

BDO Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Save as disclosed in Note 36 to the consolidated financial statements, no other material connected transactions incurred during the year.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (within the meaning in Section 469 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) that provides for indemnity against liability incurred by Directors and executive officers of the Group is currently in force and was in force throughout the year ended 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

On 29 December 2015, the Group entered into the Supply Agreement with Xinyi (Tianjin) pursuant to which, Xinyi Glass Group has agreed to supply Xinyi Goods to the Group upon request from time to time, for a term of three years commencing from 1 January 2016 and ending on 31 December 2018.

Since the Supply Agreement has expired on 31 December 2018, on 1 January 2019, the Group entered into a framework supply agreement with Xinyi (Tianjin) (the "**New Supply Agreement**") to continue the supply of Xinyi Goods to the Group for the year ending 31 December 2019.

The purchases of the Xinyi Goods from Xinyi Glass Group will be on an order-by-order basis, subject to the terms and conditions set out therein as follows: (i) at prices to be agreed between Xinyi (Tianjin) and Beijing Zhengmei Fengye Automobile Service Co., Ltd. from time to time, which in any event shall be no less favourable than the then prevailing market price of the same type and quality of the products for comparable quantity; and on normal and usual commercial terms which are no less favourable than those applicable to the purchases of the same type and quality of the products for comparable quantity by the Group from independent third parties. Under the New Supply Agreement, the maximum amount (inclusive of tax) of the purchase payable by the Group to Xinyi Glass Group in respect of the supply of the Xinyi Goods should not exceed RMB7 million for the year ending 31 December 2019.

Saved as above and as disclosed in Note 40 to the consolidated financial statements, no other material events were taken by the Company or by the Group after 31 December 2018.

For details, please refer to the announcement of the Company dated 6 March 2019.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2018 have been audited by BDO Limited, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Xia Xiufeng
Chairman

Hong Kong, 22 March 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

The Board is pleased to present the 2018 Environmental, Social and Governance (ESG) report of the Group. It has been prepared in accordance with ESG reporting guides set out by Appendix 20 of the GEM Listing Rule. The report discloses our performance and progress for the year ended 31 December 2018 and covers the Group's ESG approach, strategy, priorities and objectives. This report has been reviewed and approved by the Board to ensure all material issues and impacts are fairly presented.

The Group understands the importance of ESG report and is strived to incorporate sustainability standards into our business. The following report will be mainly organized into two parts, namely social commitment and environmental protection.

This report covers all major operations of the Group, namely the sales of automobile with installation/repair services and trading of automobile glass ("Automobile glass"), installation services of photovoltaic system ("Photovoltaic system"), business consultancy services and finance leasing services in the People's Republic of China ("PRC") and 18 subsidiaries of the Group in the PRC.

The Group and its culture

The automobile glass segment aims to become the leading brand in automobile glass services in the PRC by providing professional and reliable services to the clients for achieving win-win situation for the Group and the clients. The segment's business objective is to strengthen its position in the automobile glass installation/repair services industries in the PRC by further expanding its business operations in the PRC. The consultancy services segment engages in the provision of advisory, investment consulting and management consulting services to enterprises in the PRC. The principal business of the finance leasing segment includes providing leasing services to quality customers in chemical industry in the PRC.

The environmental and social aspects take a vital role for the development of the business of the Group in the PRC as there has been growing concerns regarding environmental protection and corporate responsibility by local community and government.

The Group has over 20 years of experience in automobile glass installation and repair industry and always focuses on services performance to use the best technique and latest technology equipment to serve our clients within the shortest time. Currently, the Group operates 16 service centres providing automobile glass installation and repair services, and also engages in the trading of automobile glass in five cities in the PRC, namely Beijing, Shenyang, Tianjin, Sanhe and Shenzhen.

The management also considers that the success of the business of the Group would largely depend on the satisfaction of our clients which were achieved and contributed by the services provided by our staff. The Group has promoted the people-oriented culture and committed to provide fair and transparent performance assessment for all level of staff. The Group is also committed to provide good working environment to promote employee's loyalty, passion and dedicated spirit.

Environmental, Social and Governance Report

The Group believes that being a socially responsible employer and building up an environmentally friendly culture would assist the Group to win the support of local community for future development of the Group.

Stakeholder engagement

An effective communication with both internal and external stakeholders is essential to keeping the Group adaptable to the ever-changing market in business development and vital to delivering the Group's environmental, social and economic commitment to long-term value creation. A stable relationship between the Group and its stakeholders with open communication channels can not only boost the level of the Group's sustainability, but also help the Group gain a better understanding of those topics material and relevant to different groups of stakeholders, thereby further controlling the underlying risks and capturing the potential opportunities.

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations – Occupational health and safety	– Supervision on complying with local laws and regulations – Routing reports and taxes
Shareholders	– Return on investments – Corporate governance – Business compliance	– Regular reports and announcements – Regular general meetings – Official website
Employees	– Employees' remuneration and benefits – General employees' satisfaction by making their voice heard – Health and safety in the workplace	– Regular training programs – Meetings (private meetings or AGMs) – Emails, notice boards, hotline, caring activities with management
Customers	– Production quality assurance – Protect the rights of customers	– Customer satisfaction survey – Customer service hotline and email
Suppliers	– Fair and open procurement – Win-win cooperation – Environmental protection	– Open tendering – Face-to-face meetings and on-site visits – Industry seminars
General public	– Involvement in communities – Awareness of environmental protection	– Media conferences and responses to enquiries – Public welfare activities

A. Social Commitment

A.1 Workplace equality

The Group is committed in a good workplace practice for our employees as they continue to be the driving force behind our Group. The Company's practices and policies with respect to: (i) compensation and dismissal; (ii) recruitment and promotion; (iii) working hours; (iv) rest periods; (v) equal opportunity; (vi) diversity; (vii) anti-discrimination; and (viii) welfare and other benefits have complied with the Labour Law of the People's Republic of China ("Labour Law"), Labour Contract Law of the People's Republic of China and other relevant laws and regulations. We have followed Chapter Two of the Labour Law on labour policy to ensure all of our employees are free from discrimination and received equal opportunities despite age, gender, race, colour, sexual orientation, disability or marital status.

During the year ended 31 December 2018, the average turnover rate for employees was 34.9% and the employees age distribution is as below:

Age Group	No. of Employee	Percentage %
30 or below	138	43%
31 to 50	148	46%
51 or above	35	11%
	321	100%

For protecting the interest of our employees and compliance with the relevant labour policy and law, employment contract would be signed in accordance with the guidance of the human resources department governing the labour compliance. Furthermore, a staff manual has been adopted by the Company to set out the benefits and rights of employees e.g. compensation, dismissal, recruitment and promotion, leave benefits and other benefits and welfare.

Although the market labour supply for automobile glass installation and repair are dominated by male workers for the service centre, we target to improve gender diversity in our workplace by employing more female employees.

The Group cares about employees' welfare and satisfaction. We believe in work-life balance to raise team spirit and morale. During the year ended 31 December 2018, the Company has organized a number of outdoor activities and annual dinner to help maintain good relationship with our employees. The Group also has staff quarter, canteen and sports ground provided for our employees.

In order to attract and retain employees, the Group has also adopted a share award scheme for its employees. Details of the share award scheme are set out in the paragraph headed "Report of the Directors – Share Award Scheme".

A.2 *Health and Safety*

As the Group considers our staff as our vital asset and the key to our success to our business, the health and safety of the work place comes to the highest priority of the Group. The Group would provide in-house training to its staff for use of the equipment and machinery of the service centre and they are required to wear industrial gloves and safety goggles when performing the repair or installation services. Safety notice has been placed in the eye-catching area in the service centres to remind our employees of certain important safety rules.

Each service centre is equipped with fire and safety equipment to prevent outbreak of serious fire accident and the validity of the fire facilities have been regularly checked.

During the year ended 31 December 2018, the Group has not recorded any work injury and work-related fatalities (2017: Nil). The Group aimed to provide a safe working environment and protecting employees from occupational hazards. The installation department manager will regularly inspect employee's safety measures to ensure it meets the standards.

The Group has fully complied with the labour law during the year ended 31 December 2018.

A.3 *Development and Training*

Employees from our installation department will receive a three-months training when they are first employed to ensure new employees meet the standard of our Group to ensure high quality installation/ repair services. 20 (2017: 10) of our employees received such training during the year ended 31 December 2018. The Group also provides in-house training to its employees on an on-going basis, covering various topics, such as the procedures required for the installation of automobile glass and handling cases of individuals insured by insurance companies.

A.4 *Labour Standards*

Our Group's recruitment standard follows the employment law of PRC to ensure equality and fairness. The Group has also complied with the Labour Law of the People's Republic of China against the use of child labour and forced labour. Individuals under the age of 16 and individuals without any identification documents are disqualified from employment. Our Human Resources Manager will inspect the qualification and identification documents of the new employees employed outside headquarter on a periodical basis, upon discovery of any individuals aged below 16 and use of forced labour in our workplace, we will suspend their work immediately and the Board will discuss and review the problem to prevent it from happening again.

B. Environmental Protection

B.1 Emission

To demonstrate the Group's commitment to sustainable development and compliance with laws and regulations relating to environment protection, the Group endeavours to minimize the environment impact of the Group's business activities and maintain green operations and green office practices. In 2018, there were no confirmed non-compliance incidents in relation to environment protection that would have a significant impact on the Group's operations.

The Company is governed by, and has complied with the Environmental Protection Law of the People's Republic of China. During the year ended 31 December 2018, the Group has not received any notice or warning in relation to pollution in respect of the Group's business operations.

The Group is committed towards continually improving our environmental protection and to minimise environmental impact from our business operations. The Group has established three major policies to reduce the emission of carbon dioxide, waste water and disposal of land waste illustrated as follow:

Installation of photovoltaic generator on the service centres

The Group has established policies to invest resources into the carbon emission reduction project by installing photovoltaic generator on the rooftop of the services centres operated by the Group. During the two years ended 31 December 2018, the Group has installed 1487 photovoltaic pieces (2016: 932, 2017: 555) which can generate 381.5 kWh (2016: 231.5 kWh, 2017: 150.0 kWh) electricity at 12 of our service centres. The installation of photovoltaic panel provides the resource for generating clean and sustainable electricity without greenhouse gas emission.

Implementation of automobile glass recycling program

As an investment holding company, our business does not generate significant greenhouse gas emissions but certain non-hazardous waste may be produced during our process of installation and repair of automobile glass and the damaged or broken automobile glass will be replaced and disposed by us on behalf of our client. The automobile glass segment has established policy for our service centres to collect and recycle the waste glass. During the year ended 31 December 2018, the Group has recycled approximately 73,820 (2017: 64,200) pieces of waste automobile glass and represented approximately 98% (2017: 95%) of automobile glass installed in our service centres.

Restrict room temperature control

In order to save and use energy efficiently to achieve the reduction of greenhouse gas emission, the Group has strongly required all of its offices and service centres to maintain the room temperature not lower than 26 degree Celsius during summer and not higher than 23 degrees Celsius during winter.

Due to the Group's business nature, the Group's main greenhouse gas emissions are the indirect emissions resulting from the electricity consumed at the Group's workplace as well as travel by employees. The Group has adopted green office practice to reduce the impact on the environment such as teleconference and internet-meeting practices are encouraged to avoid unnecessary travel. In 2018, the Group's energy indirect emission resulting from electricity consumption were 488.6 tCO_2e (Scope 2) and direct emissions (Scope 1) resulting from motor car traveling were 845.4 tCO_2e. The greenhouse gas emissions were 1,334 tCO_2e in total and 4.4 tCO_2e per employee (average workforce in 2018: 306). Other air emissions, such as sulphur oxides ("SOx") and nitrogen oxides ("NOx") were mainly from fuel combustion during transportation during the year under review, which amounted to 13,404 and 6,702 kg, respectively.

The Group has complied the rules and regulations in the PRC to ensure all automobile exhaust gas emission is qualified, waste water is properly connected to municipal sewage system and all land waste is either sent to glass recycling agent or municipal solid waste management plant during the provision of services. Although the amount of municipal solid waste and waste water from the Group is quite small given the business nature, the Group has been committed to start monitoring and recording the statistics in some subsidiaries and plans to encourage every service centre and operating areas to control their daily emissions. For instance, Hong Kong office of the Group was estimated to generate a total of approximately 520 kg municipal solid waste and 9 m^3 waste water in 2018.

During the year ended 31 December 2018, the Group did not generate any hazardous waste and more importantly, strictly complied with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Urban Drainage and Sewage Treatment Ordinance and the Environmental Protection Law of the People's Republic of China regarding the operations of the Group in PRC. The Group will continue to seek alternative environmentally friendly resources and materials to reduce the emission of air, water and land waste.

B.2 Use of Resources

The resources used by the Group are principally attributed to the materials and resources used in the 16 service centres i.e. automobile glass, electricity, water and other installation materials. The Group has implemented several major programs to reduce the use of natural resource:

(a) Installation of photovoltaic generator on the rooftop of the service centre;

(b) Employees are encouraged to adopt water saving habits in offices and workshops;

(c) Employees are encouraged to reduce paper use by using recycle paper when printing;

(d) Control room temperature to not lower than 26 degree Celsius during summer and not higher than 23 degree Celsius during winter;

(e) Light should be switched off when staff leave the premises to reduce electricity wastage.

The Group will continually perform regular assessments in order to develop better green office practices.

In 2018, the Group's energy consumption was 587.52 MWh of electricity in total and 1,920 kWh of electricity per employee. As only a minimum amount of water was used in our business operation, the amount of water consumption has not been completely disclosed in this report. Notwithstanding that, the Group has been dedicated to keeping the consumption of fresh water from most offices and other operating areas under surveillance. According to the record, the total amount of water consumed by most offices and operating areas of the Group added up to 6,931 m^3 in 2018. The Group did not face any issue in sourcing water. Promoting the paperless office, the Group has also paid great attention to its paper consumption. For instance, Hong Kong office of the Group consumed a total of 150 kg paper for its administrative operations. The Group did not use any packaging material during the year under review.

B.3 The Environmental and Natural Resources

Although as a service-based company, the Group has minimal impact on the environment and use of natural resources, the Group has still laid great emphasis on the control of emissions to the environmental and manage its consumption of natural resources in a sustainable way. For example, the Group has established a series of policies to regulate the business travel, in order to reduce the amount of fossil fuels used for transportation. Also, the Group keeps innovating and allocating more to the development of eco-friendly and efficient ways for operations. The Group firmly believes that only through continuous evaluation of its business model and benchmarking its technology with international standards can we remain competitive in the industry and become a genuinely sustainable and resilient enterprise adapting to the macro-environment.

C.1 Supply Chain Management

To ensure the quality of our automobile glass, we only purchase glass from trusted and proper regulated supplier and will not purchase poor quality or any counterfeit brands with no safety measures. The majority of supply of automobile glass are from the three major suppliers brand in China, such as Xinyi Glass. Our CEO will regularly review the list of suppliers and the general manager from the purchase department will regularly check on the quality of automobile glass to ensure it meets our Group standard before installing on cars.

C.2 Product Responsibility

The Group has adopted policies to ensure the product satisfactory and maintains good quality standard. If there is problem with newly installed automobile glass, the Group will rectify the problem for the customer free-of-charge. During the year ended 31 December 2018, we did not have any product returned due to safety or health problems or any complaint received from our customers (2017: Nil). In order to ensure our product quality, we would conduct sample inspection on the automobile glass purchased and if there are any problems with the glass quality, the Group will negotiate with the relevant supplier for the return and/or exchange of the automobile glass at the cost of the relevant supplier.

To protect intellectual property rights, we are prohibited to use automobile glass with poor quality and counterfeit brands. The Group has been fully complied with Product Quality Law of the People's Republic of China during the year ended 31 December 2018.

Consumer Privacy

The Group's employees are obligated to retain in confidence all the personal information obtained from our consumers in strict confidence and the Group has written policy and guidelines to employees for protection of customers' data.

Our storage of physical records containing personal data are kept separately and access to these records and data without authorization is strictly prohibited. In order to protect consumer data and privacy, we will keep unused client information together and destroy on a timely basis.

C.3 Anti-corruption

Our Group will not have any tolerance towards corruption, fraud or money laundering in our workplace. As stipulated in the Group's "Whistleblowing Policy", employees could raise concerns about any suspected misconduct or malpractice verbally to CEO or in writing. The Group will make effort to treat all reporting in a strictly confidential manner.

During the year ended 31 December 2018, the Group has fully complied with Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions of Banning Commercial Bribery and other relevant laws and regulations relating to anti-corruption, bribery, extortion, fraudulent behaviours and money-laundering. No cases of fraud or corruption has been brought against the employees and the Company during the year ended 31 December 2018.

D.1 Community investment

We have started greening the surrounding area of our headquarter in Beijing as a start and also removal of stagnant water for a cleaner environment and workplace. The Group has also employed staff from local community to improve the local unemployment rate.

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TO THE SHAREHOLDERS OF ZMFY AUTOMOBILE GLASS SERVICES LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of ZMFY Automobile Glass Services Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 59 to 161, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Key Audit Matters

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

Impairment assessment of property, plant and equipment and intangible assets

(Refer to notes 13 and 14 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to impairment of property, plant and equipment and intangible assets set out in note 5(i))

The Group had significant amounts of property, plant and equipment and intangible assets (including goodwill) as at 31 December 2018.

Management has performed an impairment assessment in accordance with its accounting policies which complies with Hong Kong Accounting Standards 36 "*Impairment of Assets*". The Group engaged independent professional valuers to assess the recoverable amounts of the individual asset or the cash-generating unit to which these assets belonged, which involved value in use calculations and fair value calculation using direct comparison approach. These calculations involved exercise of significant judgements and key assumptions made by management concerning the estimated future cash flows and by making reference of comparable sale transactions as available in the relevant market.

We have identified the impairment assessment of property, plant and equipment and intangible assets as a key audit matter because of its significance to the consolidated financial statements and the recoverable amount calculation involved significant management judgements and estimation with respect to the discount rate and the underlying cash flows, in particular future revenue growth rate, in the value in use calculation and assumptions concerning adjustments made to comparable sales transactions in the fair value calculation. Key assumptions used in the value in use and fair value calculations have been disclosed in notes 13 and 14 to the consolidated financial statements.

Our response:

Our procedures in relation to management's impairment assessment included, but not limited to, the following procedures:

- evaluated the competence, capabilities, independence and objectivity of the independent external valuers;
- assessed the appropriateness of impairment assessment, and compared the methodologies used to our interpretation of the requirements of the relevant accounting standards;
- reviewed and challenged the reasonableness of the key assumptions and critical judgement areas underpinning the value in use calculation and fair value calculation using direct comparison approach;
- discussed with senior management about the cash flow projection used in the value in use calculation and market conditions and difficulties to be encountered in the forecast period and the related adjustments reflected in the forecast; and
- checking arithmetical accuracy and the relevance of the input data used.

Impairment assessment of trade receivables and finance lease receivables

(Refer to notes 17 and 19 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to provision for expected credit losses model on trade receivables and finance lease receivables set out in note 5(iv))

The Group's trade receivables and finance lease receivables amounted to approximately RMB21,054,000 and RMB99,104,000 respectively, and accounted for 47% of the Group's total assets as at 31 December 2018. The assessment of impairment of trade and finance lease receivables is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group assesses the expected credit losses ("ECLs") according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness. The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as criteria for judging significant increase in credit risk, definition of credit-impaired financial asset, parameters for measuring ECLs and forward-looking information.

The disclosure of financial lease receivables and trade receivables and their loss allowance are included in notes 17 and 19 to the consolidated financial statements.

Our response:

Our procedures in relation to management's impairment assessment included, but not limited to, the following procedures:

- evaluating the methodologies, inputs and assumptions used by the Group in calculating the impairment, by reference to externally available industry, financial and economic data;

- testing the accuracy of aging of trade receivables balances based on invoice date and due date at year end to the underlying invoices on a sample basis;

- obtaining confirmations, on a sample basis, from major debtors of the Group to confirm the trade receivables balances at year end; and for unreturned confirmations, performing alternative procedures by comparing details with invoices;

- assessing the adequacy of the impairment recorded by reviewing subsequent settlements after the year end any correspondence with customers about expected settlement dates;

- selected samples considering the management's forecast of future repayments and current financial conditions of the debtors, based on historical experience, value of collaterals and observable external data;

- review repayment of lease instalments and interest payment in subsequent period to identify if any default in scheduled repayment which indicate potential deterioration in the debtor's financial liabilities which cause impact on the Group's internal credit rating on their finance lease customers.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 22 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000
Revenue	6	**175,878**	171,721
Cost of sales	8	**(89,788)**	(92,206)
Gross profit		**86,090**	79,515
Other gain or loss, net	7	**(3,834)**	31
Selling and distribution costs	8	**(19,373)**	(18,224)
Administrative expenses	8	**(32,074)**	(36,473)
		30,809	24,849
Finance income		**80**	73
Finance cost		**(448)**	(1,365)
Finance cost, net	10	**(368)**	(1,292)
Share of losses in investments accounted for using equity method	15	**–**	(20)
Profit before income tax		**30,441**	23,537
Income tax expense	11	**(7,557)**	(11,478)
Profit for the year		**22,884**	12,059
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Disposal of investments in equity instruments designated at fair value through other comprehensive income		**2,133**	–
Change in fair value of investments in equity instruments designated at fair value through other comprehensive income		**(216)**	–
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(1,714)**	(386)
Total comprehensive income for the year		**23,087**	11,673

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Profit attributable to:			
Owners of the Company		**22,283**	11,013
Non-controlling interests		**601**	1,046
		22,884	12,059
Total comprehensive income attributable to:			
Owners of the Company		**22,486**	10,627
Non-controlling interests		**601**	1,046
		23,087	11,673
		RMB cents	RMB cents
Earnings per share attributable to owners of the Company for the year	12		
Basic		**2.87**	1.65
Diluted		**2.86**	1.60

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**57,605**	60,013
Intangible assets	14	**5,243**	5,243
Investments accounted for using equity method	15	**–**	–
Available-for-sale financial assets	16	**–**	3,970
Finance lease receivables	17	**61,370**	–
Deferred tax assets	26	**1,921**	–
		126,139	69,226
Current assets			
Inventories	18	**34,518**	33,562
Trade and other receivables	19	**26,787**	27,822
Finance lease receivables	17	**37,734**	–
Available-for-sale financial assets	16	**–**	36,529
Investments in equity instruments designated at fair value through other comprehensive income	16	**647**	–
Income tax recoverable		**249**	249
Cash and cash equivalents	20	**28,122**	66,000
		128,057	164,162
Total assets		**254,196**	233,388
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	**6,372**	6,257
Reserves	22	**217,524**	187,684
		223,896	193,941
Non-controlling interests		**1,845**	1,244
Total equity		**225,741**	195,185

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	**2018**	2017
		RMB'000	RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	23	**14,934**	30,500
Amount due to a director	36(b)	**–**	92
Bank borrowings	24	**2,000**	–
Income tax payables		**7,854**	7,285
		24,788	37,877
Non-current liabilities			
Deposits received from finance lease customers	25	**3,667**	–
Deferred tax liabilities	26	**–**	326
Total liabilities		**28,455**	38,203
Total equity and liabilities		**254,196**	233,388
Net current assets		**103,269**	126,285
Total assets less current liabilities		**229,408**	195,511
Net assets		**225,741**	195,185

On behalf of the directors

Xia Xiufeng
Director

Lo Chun Yim
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Notes	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Subtotal RMB'000		
Balance at 1 January 2017		5,263	258,103	(20,506)	(115,964)	126,896	3,262	130,158
Profit for the year		–	–	–	11,013	11,013	1,046	12,059
Other comprehensive income								
Currency translation differences		–	–	(386)	–	(386)	–	(386)
Total comprehensive income		–	–	(386)	11,013	10,627	1,046	11,673
Transactions with equity owners of the Company recognised directly in equity								
Issuance of new shares, net of transaction cost	21	994	53,612	–	–	54,606	–	54,606
Equity-settled share-based payment expenses	30	–	–	1,812	–	1,812	–	1,812
Lapse of awarded and vested shares	30	–	–	(3,031)	3,031	–	–	–
Vesting of awarded shares		–	–	(692)	692	–	–	–
Repurchase of convertible bonds	29	–	–	(22,169)	22,169	–	–	–
Disposals of subsidiaries	27	–	–	(256)	256	–	(2,888)	(2,888)
Acquisition of subsidiaries	28	–	–	–	–	–	(176)	(176)
Appropriation to PRC statutory reserves		–	–	2,747	(2,747)	–	–	–
Balance at 31 December 2017		6,257	311,715	(42,481)	(81,550)	193,941	1,244	195,185
Balance at 31 December 2017 as originally presented		**6,257**	**311,715**	**(42,481)**	**(81,550)**	**193,941**	**1,244**	**195,185**
Initial application of Hong Kong Financial Reporting Standards ("HKFRSs") 9	2(a)	**–**	**–**	**(992)**	**773**	**(219)**	**–**	**(219)**
Restated balance at 1 January 2018		**6,257**	**311,715**	**(43,473)**	**(80,777)**	**193,722**	**1,244**	**194,966**
Profit for the year		**–**	**–**	**–**	**22,283**	**22,283**	**601**	**22,884**
Other comprehensive income								
Currency translation differences		**–**	**–**	**(1,714)**	**–**	**(1,714)**	**–**	**(1,714)**
Disposal of investments in equity instrument designated at fair value through other comprehensive income		**–**	**–**	**773**	**1,360**	**2,133**	**–**	**2,133**
Changes in fair value of investments in equity instrument designated at fair value through other comprehensive income		**–**	**–**	**(216)**	**–**	**(216)**	**–**	**(216)**
Total comprehensive income		**–**	**–**	**(1,157)**	**23,643**	**22,486**	**601**	**23,087**
Transactions with equity owners of the Company recognised directly in equity								
Issuance of new shares, net of transaction cost	21	**115**	**4,149**	**–**	**–**	**4,264**	**–**	**4,264**
Equity-settled share-based payment expenses	30	**–**	**–**	**(2,550)**	**–**	**(2,550)**	**–**	**(2,550)**
Vesting of awarded shares		**–**	**–**	**(1,120)**	**1,120**	**–**	**–**	**–**
Disposal of shares held under award scheme		**–**	**–**	**8,145**	**(2,171)**	**5,974**	**–**	**5,974**
Disposals of subsidiaries		**–**	**–**	**(468)**	**468**	**–**	**–**	**–**
Appropriation to PRC statutory reserves		**–**	**–**	**3,095**	**(3,095)**	**–**	**–**	**–**
Balance at 31 December 2018		**6,372**	**315,864**	**(37,528)**	**(60,812)**	**223,896**	**1,845**	**225,741**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before income tax		**30,441**	23,537
Adjustments for:			
Depreciation of property, plant and equipment		**2,411**	2,216
Provision for impairment on intangible assets		**-**	723
Loss allowance on finance lease receivables		**5,488**	–
Amortisation of intangible assets		**-**	185
(Reversal of)/Provision for obsolete inventories		**(902)**	269
(Reversal of)/Equity-settled share-based payment expenses		**(2,550)**	1,812
Interest income		**(80)**	(73)
Interest expenses		**448**	1,365
Fair value loss on convertible bonds		**–**	218
Write-off of trade receivables		**–**	329
Write-off of prepayments		**–**	2,621
Gain on disposals of property, plant and equipment		**(10)**	(15)
(Gain)/Loss on disposals of subsidiaries		**(81)**	3
Gain on transfer of trademarks		**(959)**	–
Imputed interest income		**(418)**	–
Share of losses in investments accounted for using equity method		**–**	20
		33,788	33,210
Change in working capital:			
Increase in trade and other receivables		**(4,794)**	(846)
Increase in finance lease receivables		**(104,592)**	–
Increase in inventories		**(5,887)**	(4,688)
(Decrease)/Increase in trade and other payables		**(12,459)**	15,450
Deposit received from finance lease customers		**4,000**	–
Net cash (used in)/generated from operations		**(89,944)**	43,126
Income tax paid		**(9,235)**	(143)
Interest paid		**(363)**	(400)
Net cash (used in)/generated from operating activities		**(99,542)**	42,583

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		**(532)**	(890)
Proceeds from disposals of property, plant and equipment		**30**	57
Proceeds from disposal of investments in equity instruments designated at fair value through other comprehensive income		**41,550**	–
Receipt-in-advance for disposal of investments in equity instruments designated at fair value through other comprehensive income		**679**	–
Cash inflows/(outflows) from disposals of subsidiaries, net	27	**9,387**	(567)
Cash inflows from acquisition of subsidiaries, net	28	**–**	1,408
Interest received	10	**80**	73
Repayment from/(Advance to) non-controlling interests		**15**	(40)
Net cash generated from investing activities		**51,209**	41
Cash flows from financing activities			
Proceeds from bank and other borrowings	33(b)	**3,400**	51,010
Repayments of bank and other borrowings	33(b)	**(1,400)**	(51,010)
Proceeds from loan from shareholder	33(b)	**17,742**	–
Repayment of loan from shareholder	33(b)	**(18,845)**	–
(Repayment to)/Advance from a director	33(b)	**(92)**	92
Repurchase of convertible bonds		**–**	(4,497)
Proceeds from disposals of shares held by the share award scheme	33(b)	**5,974**	–
Proceeds from issuance of shares upon share subscription	33(b)	**4,363**	–
Transaction costs in connection with issuance of shares	21	**(99)**	(147)
Net cash generated from/(used in) financing activities		**11,043**	(4,552)
Net (decrease)/increase in cash and cash equivalents		**(37,290)**	38,072
Cash and cash equivalents at beginning of the year		**66,000**	28,535
Effect of foreign exchange		**(588)**	(607)
Cash and cash equivalents at end of the year		**28,122**	66,000

1. General

ZMFY Automobile Glass Services Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "SEHK"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is located at No 12 Fengbei Road, Fengtai District, Beijing, the People's Republic of China (the "PRC").

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company referred to as the "Group") are sales of automobile glass with installation/repair services, trading of automobile glass, installation services of photovoltaic systems, provision of business consultancy services and finance lease services in the PRC. During the current year, the Group commenced the operation of providing finance lease services, which represented a new business segment of the Group.

The directors consider Lu Yu Global Limited ("Lu Yu"), a company incorporated in the British Virgin Islands, as the ultimate holding company.

In the opinion of the directors, as at 31 December 2018, the largest substantial shareholder of the Group was Mr. Xia Xiufeng, an executive director and chairman of the Company, who indirectly held 27.23% of the equity interests of the Company.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of new or revised HKFRSs – effective 1 January 2018

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, *First-time Adoption of Hong Kong Financial Reporting Standards*, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces Hong Kong Accounting Standards ("HKAS") 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarise the impact, net of tax, of transition to HKFRS 9 on the opening balance of other reserves and accumulated losses as at 1 January 2018 as follows:

	RMB'000
Accumulated losses	
Balance as at 31 December 2017	(81,550)
Reclassifying from available-for-sale financial assets to investments in equity instruments designated at fair value through other comprehensive income ("FVOCI")	773
Restated balance as at 1 January 2018	(80,777)
FVOCI reserve	
Balance as at 31 December 2017	–
Reclassifying from available-for-sale financial assets to investments in equity instruments designated at FVOCI (Note 2(a)A(i) below)	(992)
Restated balance as at 1 January 2018	(992)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at FVOCI; or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	These are subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	These are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	These are subsequently measured at fair value. Interest income calculated using effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	These are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

As of 1 January 2018, certain unquoted equity investments were reclassified from available-for-sale financial assets at cost to FVOCI. These unquoted equity instruments have no quoted price in an active market. The Group intends to hold these unquoted equity investment for long term strategic purposes. In addition, the Group has designated such unquoted equity instrument at the date of initial application as measured at FVOCI. As at 1 January 2018, the difference between the previous carrying amount and the fair value of RMB992,000 has been included in the opening FVOCI reserve.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** RMB'000	**Carrying amount as at 1 January 2018 under HKFRS 9** RMB'000
Available-for-sales financial assets	Available-for-sale financial assets	FVOCI	40,499	39,507
Trade and other receivables	Loans and receivables	Amortised cost	27,822	27,822
Cash and cash equivalents	Loans and receivables	Amortised cost	66,000	66,000

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current year.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and finance lease receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The measurement of ECLs reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

(A) HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs model

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, these receivables have been grouped based on shared credit risk characteristics and the days past due. Based on the result of assessment, the directors of the Company consider that the financial impact arising from the adoption of expected credit losses approach on all trade receivables as at 1 January 2018 and during the year ended 31 December 2018 is immaterial.

Other financial assets at amortised cost of the Group including other receivables. The directors of the Company also reviewed and assessed the impairment on the Group's other financial assets and considered that there was no significant financial impact on the consolidated financial statements of the Group.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

(B) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *"Construction Contracts"*, HKAS 18 *"Revenue"* and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 *"Revenue from Contracts with Customers"* from 1 January 2018 which resulted in changes in accounting policies. The Group assessed the impacts of adopting HKFRS 15 on its consolidated financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition. The Group's finance lease income are not within the scope of HKFRS 15. Details of the new accounting policies and the nature of the changes to previous accounting policies in relation to other types of revenue provided by the Group are set out below:

- Revenue from the provision of business consultancy service is recognised at point in time when the signed report is available and accepted by the customer. Invoices for these service income are issued on completion of services. HKFRS 15 did not result in significant impact on the Group's accounting policies.

- Revenue from trading of automobile glass is recognised at point in time when the customer has accepted the goods and the related risks and rewards of ownership. HKFRS 15 did not result in significant impact on the Group's accounting policies.

- Revenue from the provision of automobile glass installation/repair services is recognised at point in time when the customer has accepted the goods after the installation/repair services have been rendered. HKFRS 15 did not result in significant impact on the Group's accounting policies.

- Revenue from the provision of installation services for photovoltaic systems is recognised over time by reference as those services to the stage of completion, provided that the revenue, costs incurred and the estimated costs to completion can be measured reliably. Stage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transactions. HKFRS 15 did not result in significant impact on the Group's accounting policies.

Amendments to HKFRS 15, Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

HK(IFRIC)-Int 22, Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[2]
Amendments to HKFRS 3	Definition of a business[3]
Amendments to HKFRS 9	Payment Features with Negative Compensation[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for transactions that occur on or after 1 January 2020

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 16, Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *"Leases"* and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for offices which are currently classified as operating leases. The application of the new accounting model is expected to lead an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As at 31 December 2018, the Group had non-cancellable operating lease commitments of approximately RMB16,888,000 as set out in Note 31. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

Annual Improvements to HKFRSs 2015-2017 Cycle, Amendments to HKFRS 3, Business Combination

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle, Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle, Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 9, Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 "*Income Taxes*", by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings.

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the SEHK.

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost convention except for certain financial instruments, which were measured at fair values as explained in the accounting policies set out below.

(c) 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 Renminbi ("RMB") since majority of the Group's operations are carried out in RMB. The Company's functional currency is Hong Kong Dollars ("HK$") since majority of the activities of the Company are conducted in HK$.

4. Significant accounting policies

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the profit or loss from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. Significant accounting policies *(Continued)*

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associate are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to 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 and the chief financial officer who make strategic decisions.

4. Significant accounting policies *(Continued)*

(e) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur.

Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate) in other reserves. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve in other reserves.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in exchange reserve.

(f) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

4. Significant accounting policies *(Continued)*

(f) Goodwill *(Continued)*

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4(j)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less costs of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs 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 recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of estimated residual value over their estimated useful lives on straight-line method. The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Buildings	20-36 years
Leasehold improvements	Shorter of the lease term or 5 years
Motor vehicles	5 years
Office equipment	3-5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. Significant accounting policies *(Continued)*

(h) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recognised in profit or loss and included as part of selling and distribution costs and is provided on straight-line method over their estimated useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment, if any.

Trademark	10-20 years
Customer relationships	7 years

(ii) Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(i)).

(i) Impairment of assets (other than financial assets and goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and

- intangible assets.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Significant accounting policies *(Continued)*

(i) Impairment of assets (other than financial assets and goodwill) *(Continued)*

All reversals are recognised in the profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment should be treated as a revaluation and therefore credited to other comprehensive income. However, to the extent that an impairment on the revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

Value in use is based on the estimated future cash flows expected to be derived from the CGU (see Note 4(g)), discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or CGU.

(j) Financial instruments

(A) Accounting policies applied from 1 January 2018

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

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 are three measurement categories 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. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. Significant accounting policies *(Continued)*

(j) Financial instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 (Continued)

(i) Financial assets (Continued)

Debt instruments *(Continued)*

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. Significant accounting policies *(Continued)*

(j) Financial instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date, and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. Significant accounting policies *(Continued)*

(j) Financial instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

4. Significant accounting policies *(Continued)*

(j) Financial instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss *(Continued)*

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

4. Significant accounting policies *(Continued)*

(j) Financial instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 (Continued)

(vi) Derecognition (Continued)

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(B) Accounting policies applied until 31 December 2017

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

(i) Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using effective interest method, less any identified impairment losses.

4. Significant accounting policies *(Continued)*

(j) Financial instruments *(Continued)*

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

(i) Financial assets (Continued)

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

4. Significant accounting policies *(Continued)*

(j) Financial instruments *(Continued)*

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

(ii) Impairment loss on financial assets (Continued)

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables are initially measured at fair value, net of directly attributable costs incurred, and subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

This is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. Significant accounting policies *(Continued)*

(j) Financial instruments *(Continued)*

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

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

(k) Construction contracts (accounting policies applied until 31 December 2017)

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. Significant accounting policies *(Continued)*

(m) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks, other short-term highly liquid investments with original maturities for less than three months or less.

(n) Share capital

Ordinary shares are classified as equity.

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

(o) Share based payments

Convertible bonds

Issuance of convertible bonds is accounted for as share-based payment transactions.

If the identifiable consideration received by the Group appears to be less than the fair value of the convertible bonds issued, the Group measures the unidentified services received (to be received) as the difference between the fair value of the convertible bonds issued and that of the identifiable consideration received, and the difference is recognised in profit or loss immediately unless qualified for capitalisation.

The debt component (i.e. the bondholder's right to demand payment in cash) of the convertible bond will be accounted for as a cash-settled share-based payment transactions while the equity component (i.e. the bondholder's right to demand settlement in the Group's shares) of the convertible bond will be accounted for as an equity-settled share-based payment transaction. The Group first measures the fair value of the debt component, and then the equity component equals the residual value. Subsequent to initial recognition, the Group measures the fair value of the debt component at the end of each reporting period and the date of settlement, with any change in fair value recognised in profit or loss for the period. The equity component is not re-measured subsequent to initial recognition.

Where the equity component remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

4. Significant accounting policies *(Continued)*

(o) Share based payments *(Continued)*

Share award scheme

The Group operates a share award scheme for remuneration of its employees and directors.

All services received in exchange for the grant of any awarded shares are measured at fair value. These are indirectly determined by reference to the fair value of the awarded shares granted. Its value is appraised at the grant date and excludes the impact of any service and non-market performance vesting condition (for example, profitability and sales growth targets, if any).

All services received is ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when awarded shares granted vest immediately unless the expense qualifies for the recognition as asset, with a corresponding increase in "Employee Share-based Payment Reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of awarded shares expected to vest. Non-market performance and service conditions are included in assumptions about the number of awarded shares that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of awarded shares expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to employee share-based payment reserve.

Where a grant of awarded shares is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held for Share Award Scheme" and deducted from total equity. When the awarded shares are transferred to the awardees upon vesting, the related weighted average cost of the awarded shares vested are credited to "Shares held for Share Award Scheme", the related service costs of awarded shares vested are debited to the employee share-based payment reserve, and any difference will be transferred to retained earnings. Where the shares held for employee share-based payment reserve are revoked and the revoked shares are disposed of, the related gain or loss is transferred to retained earnings.

4. Significant accounting policies *(Continued)*

(p) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. Significant accounting policies *(Continued)*

(q) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

<u>Hong Kong</u>

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") which is registered under the Mandatory Provident Fund Scheme Ordinance in Hong Kong. The assets of the MPF Scheme are held in a separately administered fund. The MPF Scheme is generally funded by payments from employees and by the Group.

The Group's contributions to the MPF Scheme are expensed as incurred and are reduced by the employer's voluntary contribution forfeited from the MPF Scheme by those employees who leave the scheme prior to vesting fully in the contributions.

<u>The PRC</u>

The Group companies in the PRC participate in defined contribution retirement plans and other employee social security plans, including pension, medical, other welfare benefits, organised and administered by the relevant governmental authorities for employee in the PRC. The Group contributes to these plans based on certain percentages of the total salary of employees, subject to a certain ceiling, as stipulated by the relevant regulations.

The Group has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefits expense when 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.

(iii) Termination benefits

These are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. Significant accounting policies *(Continued)*

(q) Employee benefits *(Continued)*

(iii) Termination benefits (Continued)

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

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

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

Provisions are measured at the present value of the expenditures expected to be required to settle or transfer the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(s) Revenue recognition

(A) Accounting policies applied from 1 January 2018

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does 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.

4. Significant accounting policies *(Continued)*

(s) Revenue recognition *(Continued)*

(A) Accounting policies applied from 1 January 2018 (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

- Revenue from the provision of business consultancy service is recognised at point in time when the signed report is available and accepted by the customer. Invoices for these service income are issued on completion of services.

- Revenue from trading of automobile glass is recognised at point in time when the customer has accepted the goods and the related risks and rewards of ownership.

- Revenue from the provision of automobile glass installation/repair services is recognised at point in time when the customer has accepted the goods after the installation/repair services have been rendered.

- Revenue from the provision of installation services for photovoltaic systems is recognised over time by reference as those services to the stage of completion, provided that the revenue, costs incurred and the estimated costs to completion can be measured reliably. Stage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transactions.

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

4. Significant accounting policies *(Continued)*

(s) Revenue recognition *(Continued)*

(B) Accounting policies applied until 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services performed and goods sold, stated net of discounts, returns and value-added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities. The Group bases its estimates of returns on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Revenue from sales of automobile glass is recognised when the customer has accepted the goods and the related risks and rewards of ownership.

Revenue from the provision of automobile glass installation/repair services is recognised when the customer has accepted the goods after the installation/repair services have been rendered.

Revenue from the provision of installation services for photovoltaic systems is recognised by reference to the stage of completion, provided that the revenue, costs incurred and the estimated costs to completion can be measured reliably. Stage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transactions.

Revenue from the provision of business consultancy service is recognised when the signed report is available and accepted by the customer.

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

4. Significant accounting policies (Continued)

(t) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Finance leases income is recognised on an accrual basis using effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. Significant accounting policies *(Continued)*

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Critical accounting estimates and judgements

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

(i) Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets (including goodwill which is being reviewed at each of the reporting period end after the initial recognition) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset or the corresponding CGU's recoverable amount. The recoverable amounts have been determined based on fair value less costs of disposal calculation or value in use calculation. These calculations require the use of judgments and estimates.

Management judgement is required in asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continuing use of the asset or corresponding CGU in the business; (iii) whether a decline in asset's market value, increase in interest rates or other market rates that may affect the discount rate used in calculating the asset or corresponding CGU's recoverable amount; (iv) whether there is any assets are being obsolescence or any plan to discontinue or restructure; and (v) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's consolidated financial position and financial performance.

(ii) Leasehold improvements on leased premises

The Group operates service centres, warehouses and office buildings on leased premises in the PRC which are located on collectively-owned land that are not permitted to be sold, transferred or leased to others for non-agricultural use. Any unauthorised and illegal occupancy of the land may result in land return order, demolition order, confiscation of the existing buildings and facilities constructed on the said land. Management considered that such problem is unlikely to cause any interruption or termination of the leases. Moreover, the controlling shareholder of the Company has agreed to keep the Group indemnified for any losses that the Group may suffer from any failure of the Group's subsidiaries in obtaining licence or permit to use the related properties. Accordingly, no impairment on leasehold improvements is considered necessary.

5. Critical accounting estimates and judgements *(Continued)*

(iii) Estimated write-downs of inventories to net realisable value

The Group writes down its inventories to net realisable value when events or changes in circumstances indicate that the balances may not be realised. The identification of obsolescence requires the use of judgement and estimates. Where the estimate is different from the original amount, such difference will impact the carrying value of inventories and net realisable value for the periods in which such estimate is changed. Management assesses the net realisable value of the inventories and considers that the provision for inventories impairment is adequate and reasonable at each reporting date.

(iv) Provision for expected credit losses model on trade receivables and finance lease receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and finance lease receivables. The provision rates are based on days past due for grouping of various customers that have similar loss patterns (i.e., by customer type etc.).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default are adjusted. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' default in the future. The information about the ECLs on the Group's finance lease receivables and trade receivables is disclosed in Notes 17 and 19.

(v) Current and deferred income tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates is changed.

5. Critical accounting estimates and judgements *(Continued)*

(vi) Implication of litigation claims

In 2014, Xinyi Automobile Glass (BVI) Company Limited ("Xinyi Glass"), a shareholder of the Company issued an originating summons (the "Originating Summons") and instituted proceedings in the Court of First Instance of the Hong Kong Special Administrative Region against the Company, the vendor of the Daqing Property (as defined in Note 13), the holder of the convertible bonds of the Company, certain existing and former executive and non-executive directors and independent non-executive directors (the "Defendants"), with respect to the acquisition of a property in Daqing (the "Daqing Property Acquisition") as detailed in Note 39.

Pursuant to the Originating Summons, Xinyi Glass contended that the terms of the Daqing Property Acquisition might not serve the best interests of the Company and the shareholders as a whole and it had doubt on the legality surrounding the Daqing Property Acquisition. Accordingly, Xinyi Glass sought the following orders:

(i) the acquisition agreement to be declared void or, in the alternative, voidable;

(ii) the convertible bonds of the Company issued to satisfy the consideration of the Daqing Property Acquisition and the conversion shares already allotted and issued to the vendor of the Daqing property as at the date of the Originating Summons be declared void or, in the alternative, voidable;

(iii) in the event that the acquisition agreement and the convertible bonds of the Company are declared voidable, the Company and the vendor be compelled to terminate and/or rescind the same; and

(iv) in the alternative, damages from certain existing and former executive directors, non-executive directors and independent non-executive directors.

The litigation is still ongoing but no step has been taken by Xinyi Glass to prosecute the same against all the Defendants for almost 4 years since 12 November 2015. Management had consulted legal advisors in both the PRC and Hong Kong in response to the Originating Summons. The directors have thoroughly revisited the situations based on the advices of the PRC and Hong Kong legal advisors during the year, and considered that the demands (i) to (iii) are still unattainable and demand (iv) does not impact the Company nor the Group. Accordingly, the directors considered that the pending litigation will not have any material adverse impact to the consolidated financial statements as at 31 December 2018 and 2017.

5. Critical accounting estimates and judgements *(Continued)*

(vii) Estimated useful lives and depreciation of property, plant and equipment and amortisation of intangible assets (other than goodwill)

Management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore depreciation and amortisation expense in future periods.

(viii) Fair value of liability component of convertible bonds

The liability component of convertible bonds was stated at fair value. The fair value measurement utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements were categorised into different levels based on how observable these are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur, if any.

For more detailed information in relation to the fair value measurement of this item, please refer to the Note 29.

6. Segment reporting

The chief operating decision-maker ("CODM") has been identified as the Executive Directors and the Chief Financial Officer collectively. CODM reviews the Group's internal reporting in order to assess performance and allocate resources.

Upon the completion of the business combination on 18 September 2017 as described in Note 28 to the consolidated financial statements, management of the Group has been exploring for opportunities to participate in providing advisory, investment consulting and management consulting services to enterprises in the PRC. To strengthen the investment strategy and portfolio management, management of the Group changed the internal reporting structure within the Group to match its business strategy and focus changes. Information reported to CODM for the purpose of resource allocation and assessment of segment performance is now based on the business segments of the Group. No geographical analysis of information is presented to the CODM for such purposes as the Group's major operations and assets were situated in the PRC in which all of its revenue was derived. CODM considers the performance and business prospects of the operations relating to sales of automobile glass with installation/repair services and trading of automobile glass in the PRC in a collective manner, hence these operations constituted the automobile glass operating segment. The photovoltaic system operating segment mainly represented the provision of installation services of photovoltaic system in the PRC.

Finance leasing operating segment is a newly established business unit of the Group following the set-up of new subsidiary on 5 January 2018. In a manner consistent with the way in which information is reported internally to the CODM for the purposes of resource allocation and performance assessment, the Group has presented four reportable segments – "Automobile glass", "Photovoltaic system", "Business consultancy services" and "Finance leasing services" in its consolidated financial statements for the year ended 31 December 2018 (2017: three). No operating segments have been aggregated to form a reportable segment for the purpose of segment reporting in the consolidated financial statements. No change in the structure and no composition of the reportable segments.

6. Segment reporting *(Continued)*

As at 31 December 2018 and 2017, the Group's non-current assets were all located in the PRC. There is no external customer contributing 10% or more of the Group's revenue for the year ended 31 December 2018. For the year ended 31 December 2017, revenue of approximately RMB17,485,000 was derived from sales by automobile glass segment to an external customer, which contributed 10% or more of the Group's revenue.

	Automobile glass		Photovoltaic system		Business consultancy services		Finance leasing services		Reportable segments total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Revenue										
– Sales of automobile glass with installation/repair services	**90,149**	94,232	**–**	–	**–**	–	**–**	–	**90,149**	94,232
– Trading of automobile glass	**13,337**	14,303	**–**	–	**–**	–	**–**	–	**13,337**	14,303
– Provision of installation services of photovoltaic system	**–**	–	**1,744**	2,601	**–**	–	**–**	–	**1,744**	2,601
– Financial advisory services	**–**	–	**–**	–	**24,522**	18,306	**–**	–	**24,522**	18,306
– Capital restructuring advisory services	**–**	–	**–**	–	**11,342**	39,172	**–**	–	**11,342**	39,172
– Business consultancy services	**–**	–	**–**	–	**4,000**	5,049	**–**	–	**4,000**	5,049
– Investment research & development services	**–**	–	**–**	–	**6,322**	–	**–**	–	**6,322**	–
– Fund consultancy services	**–**	–	**–**	–	**19,081**	–	**–**	–	**19,081**	–
– Credit rating consultancy services	**–**	–	**–**	–	**943**	–	**–**	–	**943**	–
– Finance lease income	**–**	–	**–**	–	**–**	–	**5,463**	–	**5,463**	–
	103,486	108,535	**1,744**	2,601	**66,210**	62,527	**5,463**	–	**176,903**	173,663
Inter-segment sales	**(1,025)**	(1,942)	**–**	–	**–**	–	**–**	–	**(1,025)**	(1,942)
Reportable segment revenue	**102,461**	106,593	**1,744**	2,601	**66,210**	62,527	**5,463**	–	**175,878**	171,721

6. Segment reporting *(Continued)*

	Automobile glass		Photovoltaic system		Business consultancy services		Finance leasing services		Reportable segments total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Results of reportable segments	**(1,600)**	(16,112)	**1,312**	837	**34,627**	50,801	**(1,636)**	–	**32,703**	35,526
Depreciation	**(1,785)**	(1,944)	**(6)**	(6)	**(620)**	(266)	**–**	–	**(2,411)**	(2,216)
Amortisation	**–**	(185)	**–**	–	**–**	–	**–**	–	**–**	(185)
Interest expense	**(102)**	(1,337)	**–**	–	**–**	–	**(85)**	–	**(187)**	(1,337)
Interest income	**20**	49	**4**	4	**44**	20	**12**	–	**80**	73
Loss allowance on finance lease receivables (Note 17)	**–**	–	**–**	–	**–**	–	**(5,488)**	–	**(5,488)**	–
Provision for impairment on intangible assets (Note 14)	**–**	(723)	**–**	–	**–**	–	**–**	–	**–**	(723)
Reversal of/(Provision for) obsolete inventories	**902**	(269)	**–**	–	**–**	–	**–**	–	**902**	(269)
Write-off of trade receivables	**–**	(329)	**–**	–	**–**	–	**–**	–	**–**	(329)
Write-off of prepayments	**–**	(2,621)	**–**	–	**–**	–	**–**	–	**–**	(2,621)
Capital expenditure	**(514)**	(866)	**–**	–	**(18)**	(24)	**–**	–	**(532)**	(890)

A reconciliation of results of reportable segments to profit for the year is as follows:

	2018 RMB'000	2017 RMB'000
Total of results of reportable segments	**32,703**	35,526
Finance cost	**(261)**	(28)
Unallocated income	**–**	862
Unallocated expenses	**(2,001)**	(12,823)
Profit before income tax of the Group	**30,441**	23,537

6. Segment reporting *(Continued)*

Reportable segments assets and liabilities as at 31 December 2018 and 2017, and the reconciliation to consolidated total assets and liabilities of the Group, is as follows:

	Automobile glass		Photovoltaic system		Business consultancy services		Finance leasing services		Reportable segments total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Segment assets	**106,894**	119,336	**3,431**	2,282	**40,317**	109,966	**103,100**	–	**253,742**	231,584
Cash and cash equivalents									**160**	608
Unallocated corporate assets									**294**	1,196
Total assets									**254,196**	233,388
Segment liabilities	**8,223**	18,420	**902**	444	**12,742**	15,950	**4,269**	–	**26,136**	34,814
Unallocated corporate liabilities									**2,319**	3,297
Amount due to a director									**–**	92
Total liabilities									**28,455**	38,203

7. Other gain or loss, net

	2018 RMB'000	2017 RMB'000
Gain/(Loss) on disposals of subsidiaries (Note 27)	**81**	(3)
Gain on transfer of trademarks	**959**	–
Gain on disposals of property, plant and equipment	**10**	15
Fair value loss on convertible bonds (Note 29)	**–**	(218)
Imputed interest income	**418**	–
Rental income	**15**	862
Provision for impairment on intangible assets (Note 14)	**–**	(723)
Loss allowance on finance lease receivables (Note 17)	**(5,488)**	–
Others	**171**	98
	(3,834)	31

8. Expenses by nature

	2018 RMB'000	2017 RMB'000
Cost of inventories (Note 18)	**56,129**	60,699
Auditor's remuneration	**2,215**	1,552
Advertising and marketing	**1,373**	1,281
Business tax and surcharges	**1,499**	1,436
Employee costs (including directors' emoluments) (Note 9)	**44,936**	39,672
Depreciation (Note 13)	**2,411**	2,216
Amortisation (Note 14)	**–**	185
Rental expenses	**12,003**	8,040
Fuel	**3,330**	2,726
Utilities	**2,003**	890
(Reversal of)/Provision for obsolete inventories	**(902)**	269
Transportation	**1,962**	1,813
Meeting and conference expenses	**3,247**	3,922
Repair and maintenance	**802**	1,508
Tools and liveries	**440**	629
Office expenses	**1,131**	1,489
Legal and professional fees	**3,548**	4,714
Sales agency fees	**3,384**	3,671
Other agency fees	**–**	189
Sub-contracting fees	**450**	1,826
Others	**1,274**	8,176
	141,235	146,903

9. Employee costs (including directors' emoluments)

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	**41,002**	32,902
Contributions to defined contribution retirement, other social security plans and housing fund	**6,484**	4,958
(Reversal of)/Equity-settled share-based payment expenses	**(2,550)**	1,812
	44,936	39,672

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in the defined contribution retirement benefit schemes and other social security plans, including pension, medical and other welfare benefits organised by the local authority whereby the PRC subsidiaries are required to make contributions to the schemes based on certain percentages of the eligible employees' salaries.

The local government authority is responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement, housing fund and other post-retirement benefits of employees other than the contributions described above.

9. Employee costs (including directors' emoluments) *(Continued)*

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

		Other emoluments			
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share-based payment expenses RMB'000	Employer's contribution to pension plan RMB'000	Total RMB'000
Year ended 31 December 2018					
Executive directors					
Xia Xiufeng (Note (ii))	297	98	254	29	678
Lo Chun Yim (Note (iii))	122	–	–	–	122
Lu Yongmin	94	905	–	86	1,085
Xia Lu (Note (i))	31	114	(2,372)	2	(2,225)
Non-executive director					
Liu Mingyong	122	–	–	–	122
Independent non-executive directors					
Jiang Bin	122	–	–	–	122
Guo Minggang (Note (vi))	94	–	–	–	94
Luo Wenzhi	94	–	–	–	94
Chen Jinliang (Note (iv))	28	–	–	–	28
Han Shaoli (Note (v))	28	–	–	–	28
	1,032	1,117	(2,118)	117	148

Notes:

(i) Ms. Xia Lu resigned as Executive Director and Chief Executive Officer of the Company on 23 March 2018.

(ii) Mr. Xia Xiufeng was re-designated from Non-Executive Director to Executive Director and appointed as Chief Executive Officer of the Company on 23 March 2018.

(iii) Mr. Lo Chun Yim was re-designated from Non-Executive Director to Executive Director of the Company on 15 March 2018.

(iv) Mr. Chen Jinliang resigned as Independent Non-Executive Director of the Company on 23 March 2018.

(v) Mr. Han Shaoli resigned as Independent Non-Executive Director of the Company on 23 March 2018.

(vi) Mr. Guo Minggang resigned as Independent Non-Executive Director of the Company on 18 March 2019.

9. Employee costs (including directors' emoluments) *(Continued)*

(a) Directors' emoluments *(Continued)*

		Other emoluments			
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share-based payment expenses RMB'000	Employer's contribution to pension plan RMB'000	Total RMB'000
Year ended 31 December 2017					
Executive directors					
Xia Lu (Chief Executive Officer) (Note (i))	155	116	1,655	8	1,934
He Changsheng (Resigned on 29 December 2017)	52	114	(569)	20	(383)
Li Honglin (Resigned on 29 December 2017)	52	111	(400)	20	(217)
Non-executive directors					
Xia Xiufeng (Chairman) (Note (ii))	310	99	161	28	598
Liu Mingyong	124	–	–	–	124
Lo Chun Yim (Note (iii))	124	–	–	–	124
Independent non-executive directors					
Jiang Bin	124	–	–	–	124
Chen Jinliang (Note (iv))	124	–	–	–	124
Han Shaoli (Note (v))	124	–	–	–	124
	1,189	440	847	76	2,552

Salaries, allowances and other emoluments paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

During the years ended 31 December 2018 and 2017, 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.

During the years ended 31 December 2018 and 2017, equity-settled share-based payment expenses represented the estimated value of awarded shares granted to the directors and employees under the Company's share award scheme granted on 12 November 2015. The value of these awarded shares is measured according to the accounting policies for share-based payments as set out in Note 4(o) and, in accordance with that policy, includes adjustments to reverse amounts recognised as expenses in previous years where grants of equity instruments are forfeited prior to vesting. Further details of the share award scheme are set out in Note 30.

9. Employee costs (including directors' emoluments) *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 include two directors (2017: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2017: three) individuals during the years ended 31 December 2018 and 2017 are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries, wages and other benefits	**2,537**	1,516
Contributions to defined contribution retirement plans	**30**	20
Equity-settled share-based payment expenses	**–**	1,303
	2,567	2,839

The emoluments fell within the following bands:

	2018 **No. of individuals**	2017 No. of individuals
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**2**	1
HK$1,500,001 – HK$2,000,000	**–**	1

During the years ended 31 December 2018 and 2017, none of the five individuals with highest emoluments waived the remuneration and there were no amounts paid or payable by the Group to them as inducement to join or upon joining the Group or as compensation for loss of office.

10. Finance cost, net

	2018 RMB'000	2017 RMB'000
Finance cost:		
Interest expense on convertible bonds	–	(28)
Interest expense on bank and other borrowings	**(102)**	(1,337)
Interest expense on shareholder's loan	**(261)**	–
Imputed interest expense on interest-free deposits from finance lease customers	**(85)**	–
	(448)	(1,365)
Finance income:		
Interest income on bank deposits	**80**	73
	80	73
Finance cost, net	**(368)**	(1,292)

11. Income tax expense

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands.

There is no estimated assessable profit subject to Hong Kong profits tax for the year ended 31 December 2018 (2017: Nil).

Subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% for the year ended 31 December 2018 (2017: 25%).

On 5 September 2017, Shangshi Kuaiche Enterprise Service (Hengqin) Company Limited ("Shangshi Kuaiche (Hengqin)") was qualified as an enterprise of Industries Encouraged to Develop (鼓勵類產業企業) in the PRC and hence is entitled to 10% tax reduction from 2017 to 2020. For the year ended 31 December 2018, Shangshi Kuaiche (Hengqin) enjoyed a reduced corporate income tax of 15% as a result of the above reduction on the statutory tax rate.

During the year ended 31 December 2017, Shangshi Kuaiche (Hengqin) Beijing branch is qualified as Small Low-Profit Enterprise (小型微利企業) in the PRC and hence entitled to 50% reduction on the assessable profits followed by 20% corporate income tax rate from 2017 to 2019.

	2018 **RMB'000**	2017 RMB'000
Current income tax		
– Current year	**9,677**	7,388
– Under provision in prior years	**127**	38
Deferred taxation (Note 26)	**(2,247)**	4,052
Income tax expense	**7,557**	11,478

Income tax expense for the year can be reconciled to profit before income tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 **RMB'000**	2017 RMB'000
Profit before income tax	**30,441**	23,537
Calculated at domestic tax rates applicable to profit in the PRC and Hong Kong	**7,925**	7,009
Tax effect of expenses not deductible for tax purposes	**1,810**	2,628
Tax effect of tax loss for which no deferred income tax assets were recognised	**1,347**	3,811
Tax effect of prior years' tax losses utilised in the current year	**(1,649)**	(401)
Effect of tax concessions granted to a PRC subsidiary	**(2,003)**	(1,607)
Under provision in prior years	**127**	38
Income tax expense	**7,557**	11,478

12. Earnings per share

The calculation of basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	2018 RMB'000	2017 RMB'000
Profit attributable to owners of the Company for the purpose of basic earnings per share	**22,283**	11,013
Effect of dilutive potential ordinary shares in respect of convertible bonds	–	246
Profit attributable to owners of the Company for the purpose of diluted earnings per share	**22,283**	11,259

	Number of shares 2018 '000	 2017 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**775,147**	667,995
Effect of dilutive potential ordinary shares in respect of:		
– Convertible bonds	–	3,406
– Shares award	**4,943**	33,987
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**780,090**	705,388

The calculation of basic earnings per share attributable to owners of the Company for the year ended 31 December 2018 is based on the profit attributable to owners of the Company of approximately RMB22,283,000 (2017: RMB11,013,000) and on the weighted average number of 775,147,000 (2017: 667,995,000) ordinary shares outstanding during the year after deducting the number of shares held for share award scheme as treasury shares.

During the years ended 31 December 2018 and 2017, the weighted average number of ordinary shares in issue had been adjusted to reflect the issuance of shares during the years.

For the year ended 31 December 2018, diluted earnings per share is based on the profit attributable to owners of the Company of approximately RMB22,283,000 and on the adjusted weighted average number of 780,090,000 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 775,147,000 used in basic earnings per share calculation and deemed vesting of awarded shares of 4,943,000 existing during the year.

12. Earnings per share *(Continued)*

For the year ended 31 December 2017, diluted earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB11,013,000 and adjusted to reflect the interest expenses and fair value loss on the convertible bonds, where applicable, being adjustments to reflect the effect of deemed exercise or conversion of convertible bonds, and on the adjusted weighted average number of 705,388,000 ordinary shares outstanding during the year, being the weighted average of number of ordinary shares of 667,995,000 used in basic earnings per share calculation and adjusted for the effects of deemed conversion of convertible bonds of 3,406,000 and deemed vesting of awarded shares of 33,987,000 existing during the year.

13. Property, plant and equipment

	Buildings	Leasehold improvements	Motor vehicles	Office equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2017					
Opening net book amount	52,257	101	1,764	47	54,169
Acquisition of subsidiaries (Note 28)	7,002	–	447	114	7,563
Disposals of subsidiaries (Note 27)	–	(89)	(221)	(41)	(351)
Additions	–	499	338	53	890
Depreciation charge	(1,812)	(177)	(197)	(30)	(2,216)
Disposals	–	–	(42)	–	(42)
Closing net book amount	57,447	334	2,089	143	60,013
Year ended 31 December 2017					
Cost	87,825	14,335	8,014	3,346	113,520
Accumulated impairment	(21,614)	(6,167)	(2,113)	(1,120)	(31,014)
Accumulated depreciation	(8,764)	(7,834)	(3,812)	(2,083)	(22,493)
Net book amount	57,447	334	2,089	143	60,013
Year ended 31 December 2018					
Opening net book amount	**57,447**	**334**	**2,089**	**143**	**60,013**
Disposals of subsidiaries (Note 27)	**–**	**(255)**	**(248)**	**(6)**	**(509)**
Additions	**–**	**93**	**346**	**93**	**532**
Depreciation charge	**(2,087)**	**(85)**	**(164)**	**(75)**	**(2,411)**
Disposals	**–**	**–**	**(16)**	**(4)**	**(20)**
Closing net book amount	**55,360**	**87**	**2,007**	**151**	**57,605**
Year ended 31 December 2018					
Cost	**87,825**	**13,929**	**7,189**	**3,086**	**112,029**
Accumulated impairment	**(21,614)**	**(6,167)**	**(1,968)**	**(1,096)**	**(30,845)**
Accumulated depreciation	**(10,851)**	**(7,675)**	**(3,214)**	**(1,839)**	**(23,579)**
Net book amount	**55,360**	**87**	**2,007**	**151**	**57,605**

13. Property, plant and equipment *(Continued)*

Depreciation expenses for the year ended 31 December 2018 of approximately RMB679,000 (2017: RMB713,000), RMB601,000 (2017: RMB648,000) and RMB1,131,000 (2017: RMB855,000) were included in cost of sales, selling and distribution costs and administrative expenses, respectively.

In October 2014, the Group acquired a property in Sa'ertu District, Daqing City, Heilongjiang Province, the PRC (the "Daqing Property") for a consideration of RMB48,000,000. The ownership certificate of the Daqing Property was not yet obtained.

The Daqing Property was intended to be developed as an automobile glass repair and installation service center but was yet to be occupied for the year ended 31 December 2018. As at 31 December 2018, net book amount of the Daqing Property was RMB42,723,000 (31 December 2017: RMB43,979,000).

The recoverable amount of the Daqing Property, as at 31 December 2018, was assessed by an independent valuer, Greater China Appraisal Limited, by using direct comparison approach estimated by reference to similar assets adjusted for differences in condition. The market value was RMB43,000,000, which exceeds its net book amount as of 31 December 2018. Management concluded that no impairment indication was presented for the Daqing Property.

For the year ended 31 December 2017, the directors reassessed the economic environment of Daqing and the market prices of similar properties nearby the Daqing Property adjusted for differences in locality and condition. Management concluded that no impairment indication was presented for the Daqing Property.

14. Intangible assets

	Goodwill	Trademark	Customer relationships	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2017				
Opening net book amount	–	379	529	908
Acquisition of subsidiaries (Note 28)	5,243	–	–	5,243
Amortisation	–	(54)	(131)	(185)
Provision for impairment	–	(325)	(398)	(723)
Closing net book amount	5,243	–	–	5,243
At 31 December 2017				
Cost	16,174	17,550	9,605	43,329
Accumulated impairment	(10,931)	(13,300)	(4,272)	(28,503)
Accumulated amortisation	–	(4,250)	(5,333)	(9,583)
Net book amount	5,243	–	–	5,243
Year ended 31 December 2018				
Opening and closing net book amount	**5,243**	**–**	**–**	**5,243**
At 31 December 2018				
Cost	**5,243**	**15,150**	**5,505**	**25,898**
Accumulated impairment	**–**	**(11,587)**	**(1,848)**	**(13,435)**
Accumulated amortisation	**–**	**(3,563)**	**(3,657)**	**(7,220)**
Net book amount	**5,243**	**–**	**–**	**5,243**

For the year ended 31 December 2017, amortisation of approximately RMB185,000 was included in selling and distribution costs.

14. Intangible assets *(Continued)*

Impairment tests for goodwill

The Group performs impairment assessment for goodwill at each financial year end, or more frequently if there are indications that goodwill might be impaired. During the years ended 31 December 2018 and 2017, the Group has assessed that there was no indication of impairment after consideration of both external and internal sources of information. For the purpose of impairment testing, goodwill have been allocated to one CGU under business consultancy segment.

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 20% (2017:25%). The growth rate used to extrapolate the cash flows beyond the five-year period is 0% (2017:6%). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's historical performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

During the years ended 31 December 2018 and 2017, management of the Group determines that there is no impairment on goodwill.

14. Intangible assets *(Continued)*

Impairment tests for non-financial assets (excluding goodwill)

During the year ended 31 December 2017, the Group continued to record a loss for the automobile glass segment, as management considered there was indication for impairment for the non-financial assets (excluding goodwill) in this segment, whilst the Daqing Property which comprised part of the segment assets of this segment had been separately assessed for impairment as set out in Note 13. For the purpose of impairment testing, trademark, customer relationships and property, plant and equipment (excluding the Daqing Property) belonging to a CGU in the automobile glass segment were identified as follows:

	Trademark	Customer relationships	Property, plant and equipment
	RMB'000	RMB'000	RMB'000
Carrying amounts before impairment assessment as at 31 December 2017			
Shenzhen Xinyida automobile Glass Co., Ltd. ("Shenzhen Xinyida")	325	398	232

The recoverable amount of CGU represented by Shenzhen Xinyida as at 31 December 2017 was determined by value in use calculation based on cash flow projections from formally approved budgets covering a five-year period. Cash flows of the CGU – Shenzhen Xinyida beyond the five year period were extrapolated using an estimated weighted average growth rate of 2% which does not exceed the long-term growth rate. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows include the budgeted gross margin and average annual growth rate of revenue which are based on past performance and its expectation of market development.

No sensitively analysis was performed as at 31 December 2017 as there was no recoverable amount of CGU – Shenzhen Xinyida.

In order to determine the recoverable amount of the CGU – Shenzhen Xinyida, management made reference to the valuation report, issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

Key assumptions used in calculating the recoverable amount are as follows:

	Shenzhen Xinyida
Growth rate of revenue	1%-6%
Cost of sales per revenue	74%-76%
Pre-tax discount rate	17%

The discount rate applied is pre-tax and reflect specific risks related to the relevant CGU.

15. Investments accounted for using equity method

	2018 **RMB'000**	2017 RMB'000
Investment in an associate (Note)	–	–

Investment in an associate

	2017 RMB'000
Net assets as at 1 January	2,248
Loss for the period from 1 January 2017 to 14 May 2017	(41)
Net assets as at derecognition date	2,207
Net assets attributable to the Group's interests in the associate at 49%	1,082
Derecognised as an associate	(1,082)
Carrying amount at 31 December	–

Note:

In May 2017, the Group lost the power to participate in the financial and operating policies of Shenyang Zhengmei Automobile Glass Co., Ltd ("Shenyang Zhengmei") pursuant to a shareholders' resolution the board's composition was changed and the Group ceased to have a representative in the board. As from that date, the Group no longer has any assigned staff in Shenyang Zhengmei nor able to exercise significant influence over Shenyang Zhengmei. All interest in Shenyang Zhengmei was thus reclassified to available-for-sale financial assets. On that date and upon the derecognition of the associate, the retained interests were classified as available-for-sale financial assets and initially recognised at fair value of approximately RMB1,082,000.

15. Investments accounted for using equity method *(Continued)*

Investment in an associate *(Continued)*

Summarised financial information for the associate

Set out below are the consolidated financial information for Shenyang Zhengmei which is accounted for using equity method.

	2017 RMB'000
As at 31 December	
Non-current assets	–
Current assets	–
Current liabilities	–
For the period from 1 January 2017 to 14 May 2017	
Revenue	233
Loss for the period from 1 January 2017 to 14 May 2017	(41)

16. Investments in equity instruments designated at fair value through other comprehensive income/Available-for-sale financial assets

Investments in equity instrument designated at FVOCI comprise:

	2018 RMB'000	2017 RMB'000
Current assets		
Unlisted equity investments in the PRC, at fair value (Note c)	**647**	–

Available-for-sale financial assets comprise:

	2018 RMB'000	2017 RMB'000
Non-current assets		
Unlisted equity investments in the PRC, at cost (Note a)	–	3,970
Current assets		
Listed equity investments in the PRC, at cost (Note b)	–	36,529

Particulars of the unlisted equity instruments in the PRC as at 31 December 2018 are shown as follows:

Name of the company	Principal business	Shareholding held by the Group %
Shenyang Zhengmei Automobile Glass Co., Ltd.	Sales and trading of automobile glass; providing installation service of automobile glass	49.00

Notes:

(a) Given that the Group has no power to govern or participate in the financial and operating policies of the above investee entities so as to obtain benefits from their activities and does not intend to trade for short-term profit, the directors of the Company designated these equity investments as available-for-sale financial assets under non-current assets.

(b) The listed equity investments are listed on the Tianjin Equity Exchange but with no active trading records and therefore the directors of the Company considered that the market does not qualify as an active market. As at 31 December 2017, management of the Group expected these investments to be sold within the next twelve months.

(c) At the date of initial application of HKFRS 9 at 1 January 2018, the Group has made an irrevocable election to designate these investments in equity instruments as at FVOCI.

As at 31 December 2017, no impairment loss has been made on the Group's equity investment measured at cost based on the estimated future cash flows.

17. Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Finance lease receivable comprises:				
Within one year	**51,204**	–	**40,277**	–
In more than one year but no more than five years	**67,975**	–	**64,315**	–
	119,179	–	**104,592**	–
Less: Unearned finance income	**(14,587)**	–	**–**	–
Present value of minimum lease payments	**104,592**	–	**104,592**	–
Less: Impairment loss allowance				
– Lifetime ECLs allowance	**(5,488)**	–	**(5,488)**	–
	99,104	–	**99,104**	–

	2018	2017
	RMB'000	RMB'000
Analysis for reporting purpose as:		
Current assets	**37,734**	–
Non-current assets	**61,370**	–
	99,104	–

The Group's finance lease receivables are denominated in RMB. The effective rates of the finance leases as at 31 December 2018 range from 12.38% to 13.18% (2017: nil) per annum.

Finance lease receivables are mainly secured by the leased assets used in the coal mining and biomass production industries and customers' deposits where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract had been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 31 December 2018, the customers' deposits of RMB4,000,000 (2017: Nil) were received in advance. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised in both periods.

The finance lease receivables at the end of the reporting period are not past due.

The Group applies simplified approach to provide for ECLs prescribed by HKFRS 9. To measure the ECLs of finance lease receivables, finance lease receivables have been grouped based on the shared credit risk characteristics.

17. Finance lease receivables *(Continued)*

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors, the realisation of collateral and guarantee and study of other corporates' default and recovery data from international credit-rating agencies including Moody's, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. The debtors are grouped under a provision matrix into five internal credit rating buckets (namely: Normal, Special-mentioned, Substandard, Doubtful and Loss) based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtors.

The customers of finance lease receivables as at 31 December 2018 are categorised based on the internal crediting rating and the estimated loss rate of 2.49% to 8.24% is applied. Accordingly, a loss allowance of RMB5,488,000 was recognised in profit or loss during the year.

18. Inventories

	2018	2017
	RMB'000	RMB'000
Work-in-progress	**2,237**	541
Finished goods	**32,281**	33,021
Total	**34,518**	33,562

Cost of inventories recognised as expense in "cost of sales" amounted to approximately RMB56,129,000 (Note 8) for the year ended 31 December 2018 (2017: RMB60,699,000).

19. Trade and other receivables

	2018	2017
	RMB'000	RMB'000
Trade and bill receivables	**21,054**	19,199
Prepayments (Note)		
– Third parties	**4,011**	6,328
Deposits and other receivables (Note)		
– Third parties	**1,697**	1,606
– Related parties (Note 36 (b))	**25**	689
	26,787	27,822

19. Trade and other receivables *(Continued)*

Note: Prepayments, deposits and other receivables comprise the following:

	2018 RMB'000	2017 RMB'000
Prepayments		
Advances to suppliers	**709**	271
Prepayments for rental	**2,145**	2,130
Deposits for acquisition of trademarks	**–**	1,777
Others	**1,157**	2,150
	4,011	6,328
Deposits and other receivables		
Rental and utility deposits	**981**	669
Amounts due from directors (Note 36 (b))	**–**	124
Amount due from a related company (Note 36 (b))	**–**	525
Amount due from non-controlling interests (Note 36 (b))	**25**	40
Others	**716**	937
	1,722	2,295

Majority of the Group's revenue are with credit terms of 0 to 150 days (2017: 0 to 150 days) and ageing analysis of the trade receivables at 31 December 2018 and 2017, based on invoice date is as follows:

	2018 RMB'000	2017 RMB'000
0 – 30 days	**11,845**	8,767
31 – 60 days	**3,825**	2,558
61 – 90 days	**2,991**	3,900
Over 90 days	**2,393**	3,974
Total	**21,054**	19,199

19. Trade and other receivables *(Continued)*

Trade and other receivables balances are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	**26,128**	26,626
HK$	**605**	1,196
United States Dollars ("USD")	**54**	–
	26,787	27,822

No impairment allowance was provided as there has not been a significant change in credit quality based on historical experience. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The Group determined that there were no significant financial impact arising from the adoption of expected credit losses approach under HKFRS 9 for all trade and other receivables as at 1 January 2018 and 31 December 2018.

20. Cash and cash equivalents

	2018 RMB'000	2017 RMB'000
Cash on hand	**428**	437
Cash at banks	**27,694**	65,563
Total	**28,122**	66,000

Cash and bank balances are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	**27,424**	65,256
HK$	**698**	744
Total	**28,122**	66,000

The conversion of RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

21. Share capital

	Notes	2018 Number of shares	2018 RMB'000	2017 Number of shares	2017 RMB'000
Authorised:					
Ordinary shares of HK$0.01 each					
As at 1 January		**1,560,000,000**	**13,016**	780,000,000	6,094
Increase of authorised ordinary shares	(a)	**–**	**–**	780,000,000	6,922
At 31 December		**1,560,000,000**	**13,016**	1,560,000,000	13,016
Issued and fully paid:					
As at 1 January		**779,250,000**	**6,257**	661,000,000	5,263
Issuance of new shares	(b)	**13,950,000**	**115**	118,250,000	994
At 31 December		**793,200,000**	**6,372**	779,250,000	6,257

Notes:

(a) On 9 May 2017, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK$7,800,000 to HK$15,600,000, divided into 1,560,000,000 shares each by the creation of an additional 780,000,000 shares.

(b) Pursuant to the sale and purchase agreement dated 25 August 2017 entered into between four independent vendors and the Company, the Company acquired entire equity interest of CAS Valley Company Inc. for an agreed consideration of approximately RMB54,753,000 (equivalent to approximately HK$65,038,000) with issuance costs amounted to approximately RMB147,000 (equivalent to approximately HK$175,000). The consideration was satisfied by the allotment and issue of 118,250,000 shares of the Company at the issue price of HK$0.55 each on 18 September 2017.

On 15 December 2017, the Company had entered into a subscription agreement with a third party individual (the "Subscriber"). Pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe for 13,950,000 shares (the "Subscription Shares") of HK$0.01 each in the share capital of the Company (the "Shares") in cash at the subscription price of HK$0.38 per Subscription Share amounting to an aggregate consideration of approximately RMB4,363,000 (equivalent to approximately HK$5,301,000) with issuance costs amounted to approximately RMB99,000 (equivalent to approximately HK$120,000) (the "Subscription"). Such Subscription Shares shall rank pari passu with the existing Shares in issue on the date of allotment on 8 January 2018.

22. Reserves

The reserves of the Group as at 31 December 2017 are analysed as follows:

	The Group Attributable to owners of the Company								
	Share premium RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	PRC statutory reserves RMB'000 (Note c)	Convertible bonds equity reserve RMB'000 (Note d)	Shares held for share award scheme RMB'000	Employee share-based payment reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	258,103	(47,484)	4,626	22,169	(10,975)	8,411	2,747	(115,964)	121,633
Profit for the year	–	–	–	–	–	–	–	11,013	11,013
Other comprehensive income									
Currency translation differences	–	–	–	–	–	–	(386)	–	(386)
Total comprehensive income	–	–	–	–	–	–	(386)	11,013	10,627
Transactions with equity owners of the Company recognised directly in equity									
Issuance of new shares, net of transaction cost	53,612	–	–	–	–	–	–	–	53,612
Equity-settled share-based payment expenses	–	–	–	–	–	1,812	–	–	1,812
Lapse of awarded and vested shares	–	–	–	–	–	(3,031)	–	3,031	–
Vesting of awarded shares	–	–	–	–	1,007	(1,699)	–	692	–
Repurchase of convertible bonds	–	–	–	(22,169)	–	–	–	22,169	–
Disposals of subsidiaries	–	–	(256)	–	–	–	–	256	–
Appropriation to PRC statutory reserves	–	–	2,747	–	–	–	–	(2,747)	–
Balance at 31 December 2017	311,715	(47,484)	7,117	–	(9,968)	5,493	2,361	(81,550)	187,684

22. Reserves *(Continued)*

The reserves of the Group as at 31 December 2018 are analysed as follows:

	The Group								
	Attributable to owners of the Company								
	Share premium RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	PRC statutory reserves RMB'000 (Note c)	Shares held for share award scheme RMB'000	Employee share-based payment reserve RMB'000	FVOCI reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 31 December 2017	311,715	(47,484)	7,117	(9,968)	5,493	–	2,361	(81,550)	187,684
Initial application of HKFRS 9	–	–	–	–	–	(992)	–	773	(219)
Restated balance at 1 January 2018	311,715	(47,484)	7,117	(9,968)	5,493	(992)	2,361	(80,777)	187,465
Profit for the year	–	–	–	–	–	–	–	22,283	22,283
Other comprehensive income									
Currency translation differences	–	–	–	–	–	–	(1,714)	–	(1,714)
Disposal of investments in equity instruments designated at FVOCI	–	–	–	–	–	773	–	1,360	2,133
Change in fair value of investments in equity instruments designated at FVOCI	–	–	–	–	–	(216)	–	–	(216)
Total comprehensive income	–	–	–	–	–	557	(1,714)	23,643	22,486
Transactions with equity owners of the Company recognised directly in equity									
Issuance of new shares, net of transaction cost	4,149	–	–	–	–	–	–	–	4,149
Equity-settled share-based payment expenses	–	–	–	–	(2,550)	–	–	–	(2,550)
Vesting of awarded shares	–	–	–	1,823	(2,943)	–	–	1,120	–
Disposal of shares held under award scheme	–	–	–	8,145	–	–	–	(2,171)	5,974
Disposals of subsidiaries	–	–	(468)	–	–	–	–	468	–
Appropriation to PRC statutory reserves	–	–	3,095	–	–	–	–	(3,095)	–
Balance at 31 December 2018	315,864	(47,484)	9,744	–	–	(435)	647	(60,812)	217,524

22. Reserves *(Continued)*

The reserves of the Company as at 31 December 2017 are analysed as follows:

	The Company							
	Attributable to owner of the Company							
	Share premium RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Convertible bonds equity reserve RMB'000 (Note d)	Exchange reserve RMB'000	Employee share -based payment reserve RMB'000	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at 1 January 2017	258,103	2,999	22,169	8,847	8,411	(10,975)	(167,079)	122,475
Loss for the year	–	–	–	–	–	–	(33,056)	(33,056)
Other comprehensive income								
Currency translation differences	–	–	–	5,325	–	–	–	5,325
Total comprehensive income	–	–	–	5,325	–	–	(33,056)	(27,731)
Transactions with equity owners of the Company recognised directly in equity								
Issuance of new shares, net of transaction cost	53,612	–	–	–	–	–	–	53,612
Equity-settled share-based payment expenses	–	–	–	–	1,812	–	–	1,812
Lapse of awarded and vested shares	–	–	–	–	(3,031)	–	3,031	–
Vesting of awarded shares	–	–	–	–	(1,699)	1,007	692	–
Repurchase of convertible bonds	–	–	(22,169)	–	–	–	22,169	–
Balance at 31 December 2017	311,715	2,999	–	14,172	5,493	(9,968)	(174,243)	150,168

22. Reserves *(Continued)*

The reserves of the Company as at 31 December 2018 are analysed as follows:

	The Company							
	Attributable to owner of the Company							
	Share premium RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Convertible bonds equity reserve RMB'000 (Note d)	Exchange reserve RMB'000	Employee share-based payment reserve RMB'000	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at 1 January 2018	**311,715**	**2,999**	**–**	**14,172**	**5,493**	**(9,968)**	**(174,243)**	**150,168**
Loss for the year	–	–	–	–	–	–	(36,520)	(36,520)
Other comprehensive income								
Currency translation differences	–	–	–	(1,161)	–	–	–	(1,161)
Total comprehensive income	–	–	–	(1,161)	–	–	(36,520)	(37,681)
Transactions with equity owners of the Company recognised directly in equity								
Issuance of new shares, net of transaction cost	4,149	–	–	–	–	–	–	4,149
Equity-settled share-based payment expenses	–	–	–	–	(2,550)	–	–	(2,550)
Vesting of awarded shares	–	–	–	–	(2,943)	1,823	1,120	–
Disposal of shares held under award scheme	–	–	–	–	–	8,145	(2,171)	5,974
Balance at 31 December 2018	**315,864**	**2,999**	**–**	**13,011**	**–**	**–**	**(211,814)**	**120,060**

22. Reserves *(Continued)*

(a) Share premium

This represents the premium, net of transaction cost, arising from issuances of shares of the Company, including shares issued pursuant to the Group Reorganisation in 2013 and the amount of premium transferred from convertible bonds equity reserve upon conversion of convertible bonds.

(b) Capital reserve

Included in the capital reserve was RMB16,396,000 excess amount of consideration received from Xinyi over the par value of the newly issued shares of Yu Sheng in relation to the acquisition of 20% equity interest in Yu Sheng as at 1 January 2012.

During the year ended 31 December 2012, Ms. Natsu Kumiko, the controlling shareholder of ZMFY as at 31 December 2017, injected capital of HK$34,549,000 (equivalent to RMB28,089,000) into a subsidiary of the Group to satisfy its capital contribution requirement.

During the year ended 31 December 2013, Ms. Natsu Kumiko, the controlling shareholder of ZMFY as at 31 December 2017, reimbursed the listing expenses of HK$3,800,000 (equivalent to RMB2,999,000) to the Group as a result of the selling of her existing shares of the Group upon listing.

(c) PRC statutory reserves

As required by the relevant PRC rules and regulation, the PRC subsidiaries are required to transfer 10% of their profits after tax to statutory reserve until the reserve balance reaches 50% of the registered capital. Appropriations to the reserves were approved by the respective boards of directors of the subsidiaries and made before distribution of dividend to the shareholders.

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

(d) Convertible bonds equity reserve

This represented the fair value of the equity component of the convertible bonds issued by the Group on initial recognition. Further details of the convertible bonds are set out in Note 29.

23. Trade and other payables

	2018 RMB'000	2017 RMB'000
Trade payables		
– Third parties	**1,101**	10,762
– Related parties (Note 36(b))	**–**	20
	1,101	10,782
Value-added tax payables	**2,716**	4,145
Salaries payables	**6,468**	7,562
Receipts in advance (Note a)	**1,410**	339
Other payables and accruals (Note b)	**3,239**	7,672
Total	**14,934**	30,500

Credit terms granted by suppliers are generally within 60 days (2017: 60 days).

Notes:

(a) Receipts in advance is classified as a contract liability upon the adoption of HKFRS 15.

(b) As at 31 December 2018, accrued audit fee of RMB1,960,000 (2017: RMB1,545,000), accrued interest expense of nil (2017: RMB809,000), other payables for government grant of RMB1,000,000 (2017: RMB1,000,000) and deposit received from sale of trademarks of nil (2017: RMB2,736,000) were included in other payables and accruals.

23. Trade and other payables *(Continued)*

Ageing analysis of trade payables at 31 December 2018 and 2017 based on invoice date is as follows:

	2018 RMB'000	2017 RMB'000
Current	**162**	–
0 – 30 days	**411**	4,897
31 – 60 days	**258**	1,139
61 – 90 days	**90**	790
Over 90 days	**180**	3,956
Total	**1,101**	10,782

Trade and other payables are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	**12,224**	26,957
HK$	**2,703**	3,436
USD	**7**	107
Total	**14,934**	30,500

24. Bank borrowings

As at 31 December 2018, the bank borrowing was unsecured, carrying interest at the rate of Loan Prime Rate plus 2.23% per annum and repayable within one year.

25. Deposits received from finance lease customers

The balance as at 31 December 2018 represents security pledged by the customers to the Group for the corresponding finance leases. The amount of customer's deposits of which the finance leases are expected to be expired after twelve months from the end of reporting period is included under non-current liabilities.

26. Deferred tax assets/(liabilities)

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

	2018 RMB'000	2017 RMB'000
Deferred tax assets:		
– to be settled after more than 12 months	**1,614**	442
– to be settled within 12 months	**866**	894
	2,480	1,336
Deferred tax liabilities:		
– to be settled within 12 months	**(559)**	(1,662)
	(559)	(1,662)
Deferred tax assets/(liabilities), net	**1,921**	(326)

Movements on the deferred tax account are as follows:

	2018 RMB'000	2017 RMB'000
At the beginning of year	**(326)**	1,220
Acquisition of subsidiaries (Note 28)	**–**	2,506
Credited/(Charged) to the profit or loss (Note 11)	**2,247**	(4,052)
At the end of year	**1,921**	(326)

26. Deferred tax assets/(liabilities) *(Continued)*

Movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accruals RMB'000	Government grant RMB'000	Intangible assets RMB'000	Fair value gain on property, plant and equipment RMB'000	Impairment RMB'000	Loss allowance on finance lease receivables RMB'000	Loss available for offset against profit RMB'000	Total RMB'000
At 1 January 2017	164	(185)	(228)	–	1,469	–	–	1,220
Acquisition of subsidiaries (Note 28)	–	–	(1,077)	(400)	–	–	3,983	2,506
Charged to the profit or loss (Note 11)	–	–	228	–	(297)	–	(3,983)	(4,052)
At 31 December 2017 and 1 January 2018	**164**	**(185)**	**(1,077)**	**(400)**	**1,172**	**–**	**–**	**(326)**
Credited to the profit or loss (Note 11)	**–**	**–**	**1,077**	**26**	**(228)**	**1,372**	**–**	**2,247**
At 31 December 2018	**164**	**(185)**	**–**	**(374)**	**944**	**1,372**	**–**	**1,921**

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 December 2018, the Group had unused tax losses of approximately RMB60,042,000 (2017: RMB67,273,000) which are available to set off against future profits up to and including year 2023 (2017: year 2022). No deferred tax asset has been recognised in respect of these unused tax losses due to unpredictability of future profit streams.

As at 31 December 2018, deferred tax liabilities of approximately RMB3,964,000 (2017: RMB3,565,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Such amounts are permanently reinvested.

27. Disposals of subsidiaries

(a) Disposals of subsidiaries in 2018

On 25 June 2018 and 25 October 2018, the Group completed the disposal of 100% equity interest in each of Shenzhen Xinyida Automobile Glass Company Limited ("Shenzhen Xinyida") and Hangzhou Zhengmei Automobile Glass Company Limited ("Hangzhou ZM") respectively and since then Shenzhen Xinyida and Hangzhou ZM are no longer subsidiaries of the Group. Net assets of Shenzhen Xinyida and Hangzhou ZM at the dates of disposals were as follows:

	Hangzhou ZM RMB'000	Shenzhen Xinyida RMB'000
Property, plant and equipment	325	184
Cash and bank balances	129	168
Trade and other receivables	996	2,867
Inventories	1,839	3,994
Trade and other payables	(647)	(252)
	2,642	6,961
Gain/(Loss) on disposals of subsidiaries	112	(31)
Total consideration	2,754	6,930
Satisfied by:		
– Cash	2,754	6,930
Net cash outflows arising on disposal:		
– Cash consideration received	2,754	6,930
– Cash and bank balances disposed of	(129)	(168)
	2,625	6,762

27. Disposals of subsidiaries *(Continued)*

(b) Disposals of subsidiaries in 2017

On 28 June 2017 and 8 October 2017, the Group completed the disposal of 2% equity interest in each of Zhengmei Haida (Tianjin) Automobile Glass Sales Co. Ltd ("Zhengmei Haida") and Zhengmei Haida (Tianjin) Automobile Glass Technology Co. Ltd ("Haida Technology") respectively and since then Zhengmei Haida and Haida Technology are no longer subsidiaries of the Group. Net assets of Zhengmei Haida and Haida Technology at the dates of disposal were as follows:

	Zhengmei Haida RMB'000	Haida Technology RMB'000
Property, plant and equipment	156	195
Cash and bank balances	35	648
Trade and other receivables	1,315	465
Inventories	2,241	1,156
Trade and other payables	(244)	(72)
	3,503	2,392
Loss on disposals of subsidiaries	–	(3)
Release of non-controlling interests in the former subsidiaries	(1,716)	(1,172)
Fair value of interest retained in the subsidiaries being disposed of	(1,716)	(1,172)
Total consideration	71	45
Satisfied by:		
– Cash	71	45
Net cash outflows arising on disposal:		
– Cash consideration received	71	45
– Cash and bank balances disposed of	(35)	(648)
	36	(603)

Upon the disposal, the Group held 49% equity interest each in Zhengmei Haida and Haida Technology. The Group had lost control over, and did not retain any power to participate in the financial and operating policies of, both Zhengmei Haida and Haida Technology so as to obtain benefits from their activities upon resolution passed at shareholders' meeting of both Zhengmei Haida and Haida Technology whereby the board's composition were changed and the Group ceased to have any representative in both boards. As from that date, the Group no longer has any assigned staff in Zhengmei Haida and Haida Technology nor able to exercise significant influence over Zhengmei Haida and Haida Technology. On that date, the retained interests in Zhengmei Haida and Haida Technology were reclassified to available-for-sale financial assets and initially recognised at fair value of approximately RMB1,716,000 and RMB1,172,000 respectively.

28. Business combination in 2017

On 18 September 2017, the Group completed the acquisition of the entire equity interest of CAS Valley Company Inc, a company incorporated in the Cayman Islands and is principally through its subsidiaries (collectively referred as the "CAS Group") engaged in the provision of advisory, investment consulting and management consulting services to enterprises in the PRC.

The primary reason for the business combination of the Group is to broadening its revenue source because the revenue from the Group's automobile glass installation, repair services and trading business has been declining. Goodwill of approximately RMB5,243,000 was arisen from a number of factors including the expected fast growing business of business consultancy services in the PRC and Hong Kong. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired, liabilities assumed and non-controlling interests at the acquisition date:

	RMB'000
Property, plant and equipment	7,563
Available-for-sale financial assets (Note 16 (b))	36,529
Inventories	1,535
Trade and other receivables	2,703
Cash and bank balances	1,408
Trade and other payables	(2,910)
Deferred tax assets recognised for the loss available offset against future taxable profits	3,983
Deferred tax liabilities recognised upon fair value adjustments	(1,477)
Total identifiable net assets	49,334
Non-controlling interests	176
The fair value of consideration transfer – Equity instruments (118,250,000 ordinary shares)	54,753
Goodwill (Note 14)	5,243

The fair value of trade and other receivables is approximately RMB2,703,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The fair value of property, plant and equipment is approximately RMB7,563,000.

The fair value of the 118,250,000 ordinary shares issued as consideration was based on the published share price on 18 September 2017. Issuance costs totalling of approximately RMB147,000 have been deducted in the share premium.

28. Business combination in 2017 *(Continued)*

Acquisition-related costs of approximately RMB463,000 have been charged to administrative expense in the consolidated statement of comprehensive income for the year ended 31 December 2017.

The Group has recognised non-controlling interests at its proportionate share of net assets.

Since the acquisition date, the CAS Group has contributed approximately RMB62,527,000 and RMB43,424,000 to the Group's revenue and profit or loss. If the acquisition had occurred on 1 January 2017, the Group's revenue and profit for the year would have been approximately RMB172,258,000 and RMB13,729,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future performance.

29. Convertible bonds

	2018 **RMB'000**	2017 RMB'000
Liability component of convertible bonds	–	–

In September 2017, the Company purchased the remaining convertible bonds with principal amount of HK$5,216,000. The fair value of the liability component was remeasured at the date of redemption. As a result, a loss of approximately RMB218,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2017. Upon the repurchase of remaining convertible bonds, the remaining amount of equity component amounting to approximately RMB22,169,000 was released to accumulated losses.

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	2018 **RMB'000**	2017 RMB'000
Liability component at 1 January	–	4,445
Fair value loss on convertible bonds (Note 7)	–	218
Exchange translation difference	–	(166)
Repurchase of convertible bonds	–	(4,497)
Liability component at 31 December	–	–

Note: The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount of approximately RMB29,942,000 at the issuance date is assigned as the equity component and is included in the shareholders' equity.

Changes in fair value of financial liabilities at fair value through profit or loss are recorded in other gain or loss, net.

30. Share award scheme

On 12 October 2015, the Company adopted a share award scheme (the "Scheme") to reward and retain certain employees in order to encourage and motivate them to strive for future development of the Group as a result to enhance the value of Company's shares which maximised the members' interest as a whole.

Pursuant to the Scheme, the board may, from time to time, at its absolute discretion select the employees as they deem appropriate for participation in the Scheme and determines the number of awarded shares to be granted. Existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected participants. The awarded shares of the Company will be vested only after satisfactory completion of time-based targets.

The Scheme is subject to the administration of the Board in accordance with the rules relating to share award scheme. The aggregate number of awarded shares granted by the Board throughout the duration of the Scheme should not be in excess of 10% of the issued share capital of the Company as at the date of its adoption. Maximum number of awarded shares which may be granted to a selected participant but unvested under the scheme shall not exceed 3% of the issued share capital of the Company as at the date of its adoption.

Unless terminated earlier by the Board, the scheme shall be valid and effective for a term of 8 years from the date of its adoption.

On 5 June 2018, the Board approved to accelerate vesting of 900,000 award shares to Xia Xiufeng ("Mr. Xia"), an executive director and the only eligible employee, following the resignation of the employees who were eligible to participate in the Scheme on 4 June 2018. After the acceleration vesting to Mr. Xia, there is no eligible employee in the Scheme, and the Board approved to terminate the Scheme with effect from 6 June 2018. 22,020,000 award shares held by the Scheme has been disposed of on 5 October 2018.

Movements in the number of shares held for the Scheme and the awarded shares of the Company are as follows:

	Number of shares held for Share Award Scheme		**Number of awarded shares**	
	2018	2017	**2018**	2017
At the beginning of the year	**26,690,000**	29,390,000	**13,890,000**	36,810,000
Granted (Note a)	**–**	–	**–**	4,500,000
Forfeited (Note b)	**–**	–	**(9,220,000)**	(19,410,000)
Lapsed (Note c)	**–**	–	**–**	(5,310,000)
Vested	**(4,670,000)**	(2,700,000)	**(4,670,000)**	(2,700,000)
Disposal of award shares held upon termination of share award scheme	**(22,020,000)**	–	**–**	–
At the end of the year	**–**	26,690,000	**–**	13,890,000

30. Share award scheme *(Continued)*

Notes:

(a) On 11 January 2017, the Board approved the grants of 4,500,000 shares of the Company to be awarded to designated employee under the Share Award Scheme which would be transferred to the employee by the trustee at nil consideration upon vesting between 31 August 2017 and 31 August 2020. At the grant date, the fair value of the awarded shares granted was HK$1,665,000.

(b) As at 31 December 2018, 9,220,000 (2017: 19,410,000) awarded shares were forfeited before the vesting period as a result of the resignations of directors and employees during the year. For the forfeiture of the unvested awarded shares, it was recorded as a reversal to current year's consolidated statement of profit or loss and other comprehensive income.

(c) During the year ended 31 December 2017, 5,310,000 awarded shares were lapsed after the vesting period as a result of resignation of directors and employees. For the lapse of awarded and vested shares, the corresponding amount of approximately RMB3,031,000 was transferred from employee share-based payment reserve to accumulated losses.

The remaining awarded shares outstanding with their corresponding vesting dates are as follow:

	Number of awarded shares	
Vesting date	**2018**	2017
31 August 2016	–	–
31 August 2017	–	–
31 December 2017	–	2,720,000
31 August 2018	–	3,020,000
31 August 2019	–	3,625,000
31 August 2020	–	3,775,000
31 August 2021	–	750,000
Total	–	13,890,000

During the year ended 31 December 2018, reversal of share award expenses of approximately RMB2,550,000 (2017: share award expense of RMB1,812,000) has been recognised by the Group as staff costs in profit or loss.

31. Operating lease commitments

At the reporting date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**8,621**	8,442
After 1 year but within 5 years	**7,034**	10,195
Over 5 years	**1,233**	2,322
Total	**16,888**	20,959

The Group leases certain shops and office properties under operating leases. The lease terms are ranging from one to six years (2017: one to ten years), with options to renew the lease terms at the expiry dates or at days as mutually agreed between the Group and the respective landlords. None of these leases includes any contingent rentals. Certain leases have escalation clauses and rent-free periods.

32. Dividends

No dividend has been paid or declared by the Company during the year (2017: Nil).

The directors do not recommend for payment of a final dividend for the year (2017: Nil).

33. Notes supporting cash flow statement

(a) Cash and cash equivalents comprise:

	2018 RMB'000	2017 RMB'000
Cash available on demand	**28,122**	66,000
Significant non-cash transaction are as follows:		
Investment activities		
Equity consideration for business acquisition	–	54,753

(b) Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings RMB'000	Shareholders' loan RMB'000	Amount due to a director RMB'000	Share award scheme RMB'000	Issuance of shares RMB'000	Convertible bonds RMB'000
At 1 January 2017	–	–	–	–	–	4,445
Changes from cash flows:						
Proceeds from bank and other borrowings	51,010	–	–	–	–	–
Repayment of bank and other borrowings	(51,010)	–	–	–	–	–
Advance from a director	–	–	92	–	–	–
Repurchase of convertible bonds	–	–	–	–	–	(4,497)
	–	–	92	–	–	(4,497)
Exchange adjustments	–	–	–	–	–	(166)
Changes in fair value	–	–	–	–	–	218
At 31 December 2017	–	–	92	–	–	–
Changes from cash flows:						
Proceeds from bank borrowings and shareholders' loan	3,400	17,742	–	–	–	–
Repayment of bank borrowings and shareholders' loan	(1,400)	(18,845)	–	–	–	–
Repayment to a director	–	–	(92)	–	–	–
Disposal of shares held by share award scheme	–	–	–	5,974	–	–
Net proceeds from issuance of shares	–	–	–	–	4,264	–
	2,000	(1,103)	(92)	5,974	4,264	–
Exchange adjustments	–	1,103	–	–	–	–
At 31 December 2018	2,000	–	–	5,974	4,264	–

34. Summary of financial assets and financial liabilities by category

The Group's financial assets and liabilities include the following:

	2018 RMB'000	2017 RMB'000
Financial assets		
Investments in equity instruments designated at fair value through other comprehensive income	**647**	–
Financial assets at amortised cost:		
Finance lease receivable	**99,104**	–
Trade and other receivables	**22,751**	–
Amount due from non-controlling interests	**25**	–
Cash and cash equivalents	**28,122**	–
Available-for-sale financial assets	–	40,499
Loans and receivables:		
Trade and other receivables	–	20,805
Amounts due from directors	–	124
Amount due from a related company	–	525
Amount due from non-controlling interests	–	40
Cash and cash equivalents	–	66,000
	150,649	127,993
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**10,808**	26,016
Amount due to a director	–	92
Bank borrowings	**2,000**	–
Deposits received from finance lease customers	**3,667**	–
	16,475	26,108

34. Summary of financial assets and financial liabilities by category *(Continued)*

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include available-for-sale financial assets, trade and other receivables, finance lease receivables, amounts due from/(to) directors, amount due from a related company, amount due from non-controlling interests, cash and cash equivalents, trade and other payables, bank borrowings and deposits received from finance lease customers.

Due to their short term nature, their carrying values approximate their fair values.

(b) Financial instruments measured at fair value

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2018 by level of 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).

		2018	
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets			
Investment in equity instruments designated at FVOCI	–	–	647

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

35. Financial risk management objectives and policies

35.1 Financial risk factors

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

(a) Foreign exchange rate risk

The Group is exposed to foreign exchange translation risk with respect to HK$. Foreign exchange risk arises mainly from recognised assets and liabilities.

At 31 December 2018, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax profit for the year would have been approximately RMB69,000 lower/higher (2017: RMB75,000) mainly as a result of foreign exchange losses/gains on translation of bank deposits. The Group does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

(b) Cash flow interest rate risk and fair value interest rate risk

The Group's interest rate risk arises from cash at bank and the bank borrowings. Cash at bank at variable rates expose the Group to cash flow interest rate risk but the impact to the financial statements of the Group is minimal. Management considers the Group was not exposed to significant cash flow interest rate risks as there was no variable rate borrowing as of the reporting date.

(c) Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents, finance lease receivables and trade and other receivables. The carrying amounts of these balances on the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2018, 16% (2017: 8%) of the Group's cash at banks were deposited in financial institutions with no credit rating provided by Standard and Poor's. During the year ended 31 December 2018, the Group transferred majority of the Group's bank balances to financial institutions located in the PRC with a minimum rating of "A-" (2017: A-) or above and only maintained sufficient deposit in these financial institutions without credit rating in order to satisfy the payments which required to be settled through these bank accounts. Management does not expect any losses arising from non-performance by these counterparties as at the reporting date.

Trade receivables of the Group as at 31 December 2018 and 2017 represent amounts due from various insurance companies and other customers who all have no recent history of default. Debtors of the Group may be affected by the unfavorable economic conditions, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

35. Financial risk management objectives and policies *(Continued)*

35.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

The credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories and are monitored on an ongoing basis.

As at 31 December 2018, the Group had a concentration of credit risk given that the largest debtor accounted for 17% (2017: 18%) of the Group's total year end trade receivables balance. However, the Group does not believe that the credit risk in relation to this customer is significant because the Group trades mainly with recognised, creditworthy third party and this customer has no history of default in recent years.

Prior to 1 January 2018, no impairments for trade receivables are recognised. The ageing analysis of trade receivables that are not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	11,651
0 – 30 days past due	3,049
31 – 90 days past due	2,238
Over 90 days past due	2,261
Total	19,199

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default. Receivables that were past due but not impaired related other customers with long business relationship. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

The Group performs periodic credit evaluations of its customers. The Group's experience in collection of trade and other receivables falls within the recorded allowances and management is of the opinion that provision for uncollectible receivables is not necessary.

Management considers the credit risk on other receivables is minimal after considering the financial conditions of these counterparties. Management has performed assessment over the recoverability of these balances and do not expect any losses from non-performance by these companies.

In accordance with the Guideline for Loan Credit Risk Classification issued by the CBRC, the Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of five categories. The Group classifies loan into the following five categories: normal, special-mention, substandard, doubtful and loss, of which substandard, doubtful and loss loans are regarded as non-performing loans.

35. Financial risk management objectives and policies *(Continued)*

35.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

The five categories of loan classification into which the Group classified its finance lease receivables are set out below:

Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.

Special-mentioned: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.

Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.

Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.

Loss: Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The Group measures loss allowance for finance lease receivables and trade receivables based on lifetime ECLs.

The Group has conducted an assessment of ECLs according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as criteria for judging significant increase in credit risk, definition of credit-impaired financial asset, parameters for measuring ECLs and forward-looking information.

	Normal	Special-mentioned	Substandard	Doubtful	Loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018						
Expected loss rate	2.49%	8.24%	–	–	–	
Provision	1,356	4,132	–	–	–	5,488
Net receivables	53,085	46,019	–	–	–	99,104

35. Financial risk management objectives and policies *(Continued)*

35.1 Financial risk factors *(Continued)*

(d) Liquidity risk

The Group's primary cash requirements have been the payment for operating costs and purchase of inventories. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents in the short and long term.

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

	Within 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2018				
Trade and other payables	**10,808**	**–**	**–**	**10,808**
Bank borrowings	**2,072**	**–**	**–**	**2,072**
Deposits received from finance lease customers	**172**	**126**	**3,702**	**4,000**
	13,052	**126**	**3,702**	**16,880**
At 31 December 2017				
Trade and other payables	26,016	–	–	26,016
Amount due to a director	92	–	–	92
	26,108	–	–	26,108

35.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain a net cash position.

The Group's management considers capital comprises consolidated capital and reserves. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to members, return capital to members or issue new shares.

36. Related party transactions

During the year ended 31 December 2018, the directors are of the view that related parties of the Group include the following parties:

Name of party	Relationship
Shareholders:	
Lu Yu Global Limited	Substantial shareholder
Mr. Xia Xiufeng	Beneficiary owner of a substantial shareholder
Rise Grace Development Limited	Substantial shareholder
Xinyi Glass	Non-controlling shareholder of the Group
中投宏源（橫琴）投資有限公司	Non-controlling shareholder of the Group
張仁哲	Non-controlling shareholder of the Group
曹克難	Non-controlling shareholder of the Group
Fellow subsidiaries of non-controlling shareholder:	
信義玻璃（天津）有限公司	Fellow subsidiary of Xinyi Glass
信義汽車部件（天津）有限公司	Fellow subsidiary of Xinyi Glass
東莞奔迅汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass
信義汽車玻璃（深圳）有限公司上海分公司	Fellow subsidiary of Xinyi Glass
信義汽車部件（蕪湖）有限公司	Fellow subsidiary of Xinyi Glass
信義汽車部件（東莞）有限公司	Fellow subsidiary of Xinyi Glass
深圳市信義房地產開發有限公司	Fellow subsidiary of Xinyi Glass
深圳市信義易車汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass
Directors:	
Ms. Xia Lu (Note (i))	Director of the Company
Mr. He Changsheng (Note (ii))	Director of the Company
Mr. Li Honglin (Note (iii))	Director of the Company
Mr. Xia Xiufeng (Chairman) (Note (iv))	Director of the Company
Mr. Liu Mingyong	Director of the Company
Mr. Lo Chun Yim (Note (v))	Director of the Company
Mr. Chen Jinliang (Note (vi))	Director of the Company
Mr. Han Shaoli (Note (vii))	Director of the Company
Mr. Jiang Bin	Director of the Company
Mr. Guo Minggang (Note (viii))	Director of the Company
Mr. Lu Yongmin	Director of the Company
Mr. Luo Wenzhi	Director of the Company
Related company:	
北京豐業正美安裝工程有限公司	Controlled by a close member of the family of a director

36. Related party transactions *(Continued)*

Notes:

(i) Ms. Xia Lu resigned as Executive Director and Chief Executive Officer of the Company on 23 March 2018.

(ii) Mr. He Changsheng resigned as Executive Director of the Company on 29 December 2017.

(iii) Mr. Li Honglin resigned as Executive Director of the Company on 29 December 2017.

(iv) Mr. Xia Xiufeng was re-designated from Non-Executive Director to Executive Director and appointed as Chief Executive Officer of the Company on 23 March 2018.

(v) Mr. Lo Chun Yim was re-designated from Non-Executive Director to Executive Director of the Company on 15 March 2018.

(vi) Mr. Chen Jinliang resigned as Independent Non-Executive Director of the Company on 23 March 2018.

(vii) Mr. Han Shaoli resigned as Independent Non-Executive Director of the Company on 23 March 2018.

(viii) Mr. Guo Minggang resigned as Independent Non-Executive Director of the Company on 18 March 2019.

(a) Transactions with related parties

	2018 **RMB'000**	2017 RMB'000
Sales of inventories to a fellow subsidiary of Xinyi Glass	**84**	10
Purchases of inventories from fellow subsidiaries of Xinyi Glass (Note)	**11,902**	13,747
Sales of inventories to a related company	**521**	–
Sales of inventories to an associate	**–**	195
Purchase of inventories from an associate	**–**	15
Rental expenses paid to a fellow subsidiary of Xinyi Glass	**–**	192
Purchase rebate from a fellow subsidiary of Xinyi Glass	**–**	**525**
Loan interest expense paid to a substantial shareholder	**261**	–

Transactions are conducted in the ordinary course of business at prices and terms based on mutual agreement.

Note:

The related party transactions constitute connected transaction or continuing connected transaction as defined in Chapter 20 of the Listing Rules.

36. Related party transactions *(Continued)*

(b) Balances with related parties

	2018 **RMB'000**	2017 RMB'000
Amounts due from directors (Note i)	–	124
Amount due from a related company (Note ii)	–	525
Amount due from non-controlling interests (Note (ii)	**25**	40
Amount due to a director (Note ii)	–	(92)
Amount due to a related company (Note ii)	–	(20)

Note i: The amounts due from directors of the Group are disclosed as follows:

Name of borrowers	**Xia Lu**
Repayment terms of the amounts due	Repayable on demand
Interest rate	Interest free
Balances as at 31 December 2018	–
Balances as at 31 December 2017	RMB124,229
Maximum balances outstanding	
– For the year ended 31 December 2018	RMB124,229
– For the year ended 31 December 2017	RMB124,229

Note ii: The amounts due are unsecured, interest free and repayable on demand.

(c) Key management personnel compensation

The Group defines directors as key management personnel and remuneration for key management personnel, including amounts paid to the Company's directors, are disclosed in Note 9.

(d) Movement of balance with directors and their close family members

	2018 **RMB'000**	2017 RMB'000
At the beginning of the year	**124**	295
Expenses paid on behalf of directors	–	–
Repayment to a director	**(124)**	(171)
At the end of the year	–	124

37. Company level statement of financial position

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		**140,928**	157,509
Current assets			
Prepayments and other receivables		**294**	902
Amount due from a subsidiary		**5,938**	–
Cash and cash equivalents		**160**	608
		6,392	1,510
Total assets		**147,320**	159,019
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	**6,372**	6,257
Reserves	22	**120,060**	150,168
		126,432	156,425
Current liabilities			
Other payables		**2,319**	1,962
Amount due to subsidiaries		**18,569**	540
Amount due to a director		**–**	92
		20,888	2,594
Total liabilities		**20,888**	2,594
Total equity and liabilities		**147,320**	159,019
Net current liabilities		**(14,496)**	(1,084)
Total assets less current liabilities		**126,432**	156,425

On behalf of the directors

Xia Xiufeng
Director

Lo Chun Yim
Director

38. Investments in subsidiaries

Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are shown as follows:

Name of company	Place of incorporation/ registration and operation and kind of legal entity	Issued and paid-in capital/ registered capital	Equity interest held by the Company		Principal activities
			2018	2017	
Directly held:					
Yu Sheng Investments Limited	Incorporation: British Virgin Islands, Operation: Hong Kong, limited liability company	USD10,000	**100%**	100%	Investment holding
ZM Leasing (Tianjin) Limited 正澤美業融資租賃(天津)有限公司	Tianjin, the PRC, limited liability company	RMB16,707,308	**100%**	Nil	Finance leasing
Indirectly held:					
Chang Hong Investments (HK) Limited 長洪投資(香港)有限公司	Hong Kong, limited liability company	HK$1	**100%**	100%	Investment holding
Beijing Zhengmei Fengye Automobile Service Co., Ltd. 北京正美豐業汽車服務有限公司	Beijing, the PRC, limited liability company	RMB55,000,000	**100%**	100%	Sales and trading of automobile glass
Beijing Zhengmei Fengye Automobile Glass Installation Co., Ltd. 北京正美豐業汽車玻璃安裝有限公司	Beijing, the PRC, limited liability company	RMB500,000	**100%**	100%	Provision of installation service of automobile glass
Zhengmei Fengye (Tianjin) Automobile Glass Co., Ltd. 正美豐業(天津)汽車玻璃有限公司	Tianjin, the PRC, limited liability company	RMB2,000,000	**51%**	51%	Sales and trading of automobile glass; provision of installation service of automobile glass
Shenzhen Xinyida 深圳信義達汽車玻璃有限公司	Shenzhen, the PRC, limited liability company	RMB6,000,000	**Nil**	100%	Sales and trading of automobile glass; provision of installation service of automobile glass

38. Investments in subsidiaries *(Continued)*

Name of company	Place of incorporation/ registration and operation and kind of legal entity	Issued and paid-in capital/ registered capital	Equity interest held by the Company 2018	2017	Principal activities
Beijing Fengye Zhengmei New Energy Technology Company Limited 北京豐業正美新能源科技有限公司	Beijing, the PRC, limited liability company	RMB20,000,000	**100%**	100%	Provision of installation services of photovoltaic system
Tianjin Zhengmei Glass Technology Co., Ltd. 天津正美玻璃科技有限公司	Tianjin, the PRC, limited liability company	HK$38,000,000	**100%**	100%	Sales and trading of automobile glass; provision of installation service of automobile glass
Tianjin Fengye New Energy Technology Co., Ltd 天津豐業新能源科技有限公司	Tianjin, the PRC, limited liability company	RMB3,000,000	**100%**	100%	Provision of installation services of photovoltaic system
Shangshi Kuaiche Enterprise Services (Hengqin) Company Limited 上市快車企業服務(横琴)有限公司	Hengqin, the PRC, limited liability company	RMB51,020,400	**99.9%**	99.9%	Provision of business consultancy services
Guangxi Shangshi Kuaiche Enterprise Management and Service Company Limited 廣西上市快車企業管理服務有限公司	Guangxi, the PRC, limited liability company	RMB5,000,000	**99.9%**	99.9%	Provision of business consultancy services

38. Investments in subsidiaries *(Continued)*

Name of company	Place of incorporation/ registration and operation and kind of legal entity	Issued and paid-in capital/ registered capital	Equity interest held by the Company 2018	Equity interest held by the Company 2017	Principal activities
Zhongshan Shangshi Kuaiche Enterprise Investment Management and Service Company Limited 中山上市快車企業投資管理服務有限公司	Zhongshan, the PRC, limited liability company	RMB5,000,000	**99.9%**	99.9%	Provision of business consultancy services
Liaoning Yijiayi Shangshi Kuaiche Enterprise Service Company Limited 遼寧壹加壹上市快車企業服務有限公司	Liaoning, the PRC, limited liability company	RMB2,400,000	**80%**	80%	Provision of business consultancy services
Tianjin Yijiayi Shangshi Kuaiche Enterprise Management and Service Company Limited 天津壹加壹上市快車企業管理服務有限公司	Tianjin, the PRC, limited liability company	RMB800,000	**80%**	80%	Provision of business consultancy services
Hainan Shangshi Kuaiche Enterprise Management consultancy Company Limited 海南上市快車企業管理諮詢有限公司	Hainan, the PRC, limited liability company	RMB5,000,000	**99.9%**	99.9%	Provision of business consultancy services
ZM Capital Limited	Hong Kong, limited liability company	HK$4,000,000	**100%**	100%	Provision of business and financial consulting services in regulated and non-regulated areas
ZM International Investment Limited	Hong Kong, limited liability company	HK$200,000	**100%**	100%	Provision of business and financial consulting services in non-regulated areas

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give detail of other subsidiaries would, in the opinion of directors, result in particulars of excessive length.

Interest in subsidiaries represents equity funding by the Company to the respective subsidiary and is measured in accordance with the Company's accounting policy for investment in subsidiaries as set out in Note 4(b).

39. Contingent liabilities

In 2014, Xinyi Glass issued an originating summons (the "Originating Summons") and instituted proceedings in the Court of First Instance of the Hong Kong Special Administrative Region against the Company, the vendor of the Daqing Property, the holder of the convertible bonds of the Company, certain existing and former executive and non-executive directors and independent non-executive directors, (the "defendants") with respect to the acquisition of a property in Daqing Property Acquisition as detailed in Note 13.

Pursuant to the Originating Summons, Xinyi Glass has contended that the terms of the Daqing Property Acquisition might not serve the best interests of the Company and the shareholders as a whole and it has doubt on the legality surrounding the Daqing Property Acquisition. Accordingly, Xinyi Glass sought the following orders:

(i) the acquisition agreement to be declared void or, in the alternative, voidable;

(ii) the convertible bonds of the Company issued to satisfy the consideration of the Daqing Property Acquisition and the conversion shares already allotted and issued to the vendor of the Daqing property as at the date of the Originating Summons be declared void or, in the alternative, voidable;

(iii) in the event that the acquisition agreement and the convertible bonds are declared voidable, the Company and the vendor be compelled to terminate and/or rescind the same; and

(iv) in the alternative, damages from certain existing and former executive directors, non-executive directors and independent non-executive directors.

The litigation is still ongoing but no step has been taken by Xinyi Glass to prosecute the same against all the defendants for almost 4 years since 12 November 2015. Management has consulted legal advisors in both the PRC and Hong Kong in response to the Originating Summons. The directors have thoroughly revisited the situation based on the advice of the PRC and Hong Kong legal advisors during the year, and considered that the demands (i) to (iii) are still unattainable and demand (iv) does not impact the Company nor the Group. Accordingly, the directors considered that the pending litigation will not have any material adverse impact to the consolidated financial statements as at 31 December 2018 and 2017.

40. Event after the reporting date

Since the framework supply agreement entered into with Xinyi Automobile Parts (Tianjin) Co., Ltd on 29 December 2015 in relation to the continuing connected transaction has expired on 31 December 2018, on 1 January 2019, the Group entered into a new supply framework supply agreement with Xinyi Automobile Parts (Tianjin) Co., Ltd to continue the supply of automobile glass to the Group for the year ending 31 December 2019. Further detailed terms in relation to the new framework supply agreement have been set out in the Company's announcement dated 6 March 2019.

41. Approval of financial statements

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the directors on 22 March 2019.

Five-Year Financial Summary

The audited results of the Group for the years ended 31 December 2018, 2017, 2016, 2015 and 2014 and the audited assets, liabilities and non-controlling interests of the Group as at 31 December 2018, 2017, 2016, 2015 and 2014 are those set out in the published financial statements for the years ended 31 December 2018, 2017, 2016, 2015 and 2014, respectively.

RESULTS

	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**175,878**	171,721	131,245	131,193	135,193
Profit/(Loss) before income tax	**30,441**	23,537	(63,181)	(94,982)	(10,313)
Income tax (expense)/credit	**(7,557)**	(11,478)	2,656	5,001	(1,781)
Profit/(Loss) for the year	**22,884**	12,059	(60,525)	(89,981)	(12,094)
Attributable to:					
Owners of the Company	**22,283**	11,013	(60,161)	(89,484)	(12,637)
Non-controlling interests	**601**	1,046	(364)	(497)	543

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**254,196**	233,388	146,268	213,873	250,947
Total liabilities	**(28,455)**	(38,203)	(16,110)	(22,588)	(22,249)
Non-controlling interests	**1,845**	1,244	(3,262)	(3,626)	(5,468)

The summary above does not form part of the audited consolidated financial statements.