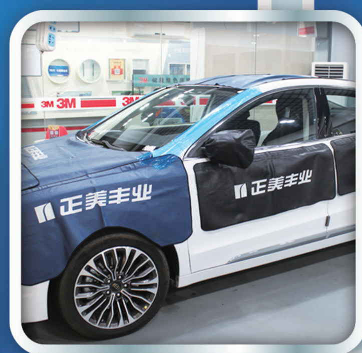
Annual Report

2019



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

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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
Mr. Wang Liang (appointed on 17 June 2019)
Mr. Guo Mingang (resigned on 18 March 2019)

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
Mr. Wang Liang (appointed on 17 June 2019)
Mr. Guo Mingang (resigned on 18 March 2019)

REMUNERATION COMMITTEE MEMBERS

Mr. Luo Wenzhi *(Chairman)*
Mr. Xia Xiufeng
Mr. Wang Liang (appointed on 17 June 2019)
Mr. Guo Mingang (resigned on 18 March 2019)

NOMINATION COMMITTEE MEMBERS

Mr. Wang Liang *(Chairman)*
(appointed on 17 June 2019)
Mr. Jiang Bin
Mr. Lu Yongmin
Mr. Guo Mingang *(Chairman)*
(resigned on 18 March 2019)

REGISTERED OFFICE

B6-8, Room 1011, Block B,
Hung Hom Commercial Centre,
39 Ma Tau Wai Road,
Hung Hom, Kowloon, 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

B6-8, Room 1011, Block B,
Hung Hom Commercial Centre,
39 Ma Tau Wai Road,
Hung Hom, Kowloon, Hong Kong

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
Hua Xia Bank

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, 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.

2019 was a volatile and weak year for all of our business segments. The global economy continued its slowing growth. The escalated and continuing China-US trade disputes posed enormous risks to growth in global trade and economy. As a result of the increased level of business risks inside and outside China, we, along with our customers, had experienced substantial market slowdown.

Our total revenue for the year ended 31 December 2019 amounted to approximately RMB102,194,000, representing a decrease of 41.9% as compared to that of approximately RMB175,878,000 in 2018. Overall gross profit decreased by approximately 74.7% to approximately RMB21,770,000 in 2019 from approximately RMB86,090,000 in 2018. Consequently, we turned into a net loss of approximately RMB32,128,000 for the year ended 31 December 2019 as compared to a net profit of approximately RMB22,884,000 in 2018.

The substantial decline in revenue and net profit were mainly attributable to the continued deficit resulting from the automobile glass business of the Company due to the unfavourable business environment that persisted during this year and a substantial decrease in revenue in the business consultancy services sector of the Company. The business consultancy segment, which was established as a result of our acquisition of CAS Valley Company Inc., and its subsidiaries (collectively referred as "**CAS Group**") in 2017, was historically a major profit contributor to the Company. The Board has been evaluating the sustainability and potentials of our business consultancy services sector while initiating various cost-cut measures during the past year. Offices in Shenyang, Shanghai and various cities were closed down together with staff lay-off during the year.

We entered into a new business segment in 2018, the finance lease services, in accordance with the Board's strategy to continue to expand into the provision of financial services. The addition of this new business segment recorded a revenue of approximately RMB11,325,000 in 2019 as compared to approximately RMB5,463,000 in 2018 and segment profit before income tax of approximately RMB5,495,000 in 2019 as compared to segment loss before income tax of approximately RMB1,636,000 in 2018.

Going forward, the Board will continue its best endeavour to seek suitable merger and acquisition opportunities and/or business collaboration for further business expansion.

We have been asked how our business has been affected by the Novel Coronavirus outbreak which has caused major disruption in China since January 2020. Together with the rest of our country, we are very cautious in mitigating risks to our customers as well as our staff. Up till these two weeks, our Beijing service centres have been gradually re-opened, while all staff are following safe health practices prescribed by the Chinese central government. Staff returning from their hometown after the Chinese New Year holidays are required to work from home for two weeks before returning to work. We will continue to take various precautions to keep everyone safe while maintaining our business activities.

On behalf of the Board, I would like to express my appreciation to our management and staff for their unreserved dedication, to all our business partners who continuously support and work with us, and to all our shareholders for their recognition of our value and potential.

Xia Xiufeng
Chairman

23 March 2020

BUSINESS REVIEW

The Group's total revenue for the year ended 31 December 2019 amounted to approximately RMB102,194,000, representing a decrease of approximately RMB73,684,000 or 41.9% as compared to that of approximately RMB175,878,000 in 2018. Overall gross profit decreased by approximately RMB64,320,000 or 74.7% to approximately RMB21,770,000 in 2019 from approximately RMB86,090,000 in 2018. The gross profit margin in 2019 decreased to approximately 21.3% from approximately 48.9% in 2018.

The loss attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately RMB31,311,000, representing a decrease of approximately RMB53,594,000 as compared to profit of approximately RMB22,283,000 in 2018.

The substantial decline in revenue and net profit were mainly attributable to the continued deficit resulting from the automobile glass business of the Company due to the unfavourable business environment that persisted during this year and a substantial decrease in revenue in the business consultancy services sector of the Company.

Revenue and Segment Result

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 85.9% of the Group's total revenue in 2019 (2018: 58.3%). Revenue from sales of automobile glass with installation/repair services is 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 RMB14,703,000 or 14.3% from approximately RMB102,461,000 in 2018 to approximately RMB87,758,000 in 2019. The decrease was mainly due to the continuous decline in the demand of automobile glass in the PRC and the intensified competition in the automobile market in Beijing.

Results of reportable segments from sales of automobile glass with installation/repair services and trading of automobile glass decreased by approximately RMB7,925,000 from loss of approximately RMB1,600,000 in 2018 to loss of approximately RMB9,525,000 in 2019, after reflecting a provision for obsolete inventories as recognised in cost of sales of approximately RMB6,923,000 in 2019.

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 2019 was approximately RMB1,301,000 (2018: approximately RMB1,744,000). The decrease in revenue was mainly attributable to the keen competition in the market in China.

Results of reportable segments from provision of installation services of photovoltaic system amounted to loss of approximately RMB1,041,000 in 2019, representing a decrease of approximately RMB2,353,000 as compared to profit of approximately RMB1,312,000 in 2018.

Business Consultancy Services

For the year ended 31 December 2019, the total revenue generated from the provision of business consultancy services was approximately RMB1,810,000 (2018: approximately RMB66,210,000) reflecting a decrease of 97.3% as a result of the overall market slowdown and customer loss experienced in the segment. This segment recorded a loss of approximately RMB20,981,000 in 2019 (2018: profit of approximately RMB34,627,000), including impairment loss on intangible assets of approximately RMB5,243,000, representing provision for impairment of goodwill arising from the acquisition of CAS Valley Company Inc., write off of inventories as recognised in cost of sales of approximately RMB2,233,000 and write-off of trade receivables of approximately RMB2,662,000 in 2019.

The management is actively evaluating the sustainability and potentials of the Company's business consultancy services sector and pursuing new consultancy services business opportunities while initiating various cost-cut measures. Offices in Shenyang, Shanghai and various cities were closed down together with staff lay-off during the year. As at 31 December 2019, this segment had only 3 offices and 11 staff, compared to 8 offices and 63 staff as at 31 December 2018.

Finance Lease Services

On 5 January 2018, the Group launched the finance lease services business, for which it derived revenue from the provision of finance lease services to its industrial customers in the PRC. For the year ended 31 December 2019, the revenue generated from finance lease services was approximately RMB11,325,000 (2018: approximately RMB5,463,000).

Results of reportable segments from finance lease services amounted to profit of approximately RMB5,495,000 in 2019, representing an increase of approximately RMB7,131,000 as compared to loss of approximately RMB1,636,000 in 2018.

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 2019 are categorised based on the internal credit rating and the estimated loss rate of 4.67% to 12.00% (2018: 2.49% to 8.24%) is applied. Accordingly, a loss allowance of approximately RMB3,482,000 (2018: 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.

Other Gain or Loss, net

A net loss of approximately RMB12,595,000 was recorded for the year ended 31 December 2019, compared to that of approximately RMB3,834,000 recorded in 2018. The net loss for the year was mainly attributable to provision for impairment of intangible assets of approximately RMB5,243,000, write off of trade receivables of approximately RMB3,056,000, and loss allowance on finance lease receivables of approximately RMB3,482,000.

Selling and Distribution Costs

Selling and distribution costs decreased by approximately RMB2,166,000 or 11.2% to approximately RMB17,207,000 in 2019 from approximately RMB19,373,000 in 2018. The decrease was mainly a result of staff reduction and other cost cutting efforts made by the Company across all business segments.

Administrative Expenses

The Group's administrative expenses mainly consist of professional fees, staff costs (including directors' remunerations), depreciation and rental expenses. The total administrative expenses decreased by approximately RMB10,432,000 or 32.5% to approximately RMB21,642,000 in 2019 from approximately RMB32,074,000 in 2018. The decrease was mainly a result of staff reduction and other cost cutting efforts made by the Company across all business segments.

Finance Cost, net

Net finance cost for the year ended 31 December 2019 amounted to approximately RMB677,000 (2018: approximately RMB368,000). The increase in net finance cost was mainly attributable to the increase of imputed interest expense on interest-free deposits from finance lease customers by approximately RMB90,000 and the interest expense on lease liabilities by approximately RMB514,000 as a result of application of HKFRS 16, offset with a decrease of interest expense on loan from a shareholder by approximately RMB247,000.

Income Tax Expense

The Group's income tax expense was approximately RMB1,777,000 in 2019, decreased by 76.5% from approximately RMB7,557,000 in 2018. The decrease in income tax expense was mainly attributable to a decreased level of taxable income during the year.

(Loss)/Profit for the Year

The Group recorded a net loss of approximately RMB32,128,000 for the year ended 31 December 2019, as compared to the net profit of approximately RMB22,884,000 for the year ended 31 December 2018. The decrease in net profit for the year was mainly attributable to the underperformance and massive loss generated by the business consultancy segment which was historically a major profit contributor to the Company.

Current Ratio

The Group's current ratio as at 31 December 2019 was 8.6, as compared with 5.2 as at 31 December 2018. The increase was mainly due to the increase in finance lease receivables and the decrease in current liabilities.

Capital Structure

As at 31 December 2019, the Group had net assets of approximately RMB192,779,000 (2018: approximately RMB225,741,000), comprising non-current assets of approximately RMB85,170,000 (2018: approximately RMB126,139,000), and current assets of approximately RMB132,018,000 (2018: approximately RMB128,057,000). The Group recorded a net current asset position of approximately RMB116,617,000 (2018: approximately RMB103,269,000), primarily consisting of cash and cash equivalents of approximately RMB20,211,000 (2018: approximately RMB28,122,000), inventories of approximately RMB28,277,000 (2018: approximately RMB34,518,000), trade and other receivables of approximately RMB11,636,000 (2018: approximately RMB26,787,000) and finance lease receivables of approximately RMB71,645,000 (2018: approximately RMB37,734,000). Major current liabilities are trade and other payables of approximately RMB9,269,000 (2018: approximately RMB14,934,000), lease liabilities of approximately RMB3,188,000 (2018: Nil), deposits received from finance lease customers of approximately RMB1,737,000 (2018: Nil), loan from a shareholder of approximately RMB447,000 (2018: Nil) and income tax payables of approximately RMB760,000 (2018: approximately RMB7,854,000).

Liquidity and Financial Resources

As at 31 December 2019, the Group's cash and cash equivalents amounted to approximately RMB20,211,000, representing a net decrease of approximately RMB7,911,000 as compared to that of approximately RMB28,122,000 as at 31 December 2018. Net cash outflows from operating activities amounted to approximately RMB2,077,000 (2018: approximately RMB99,542,000). During the year ended 31 December 2019, the finance lease operation of the Group resulted in cash inflows of approximately RMB6,145,000 (2018: cash outflows of approximately RMB104,592,000) from/to its finance lease customers. As at 31 December 2019, the Group had no short-term bank borrowings (2018: approximately RMB2,000,000). 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 2019, the Group had no assets pledged for bank borrowings or for other purposes (2018: Nil).

Contingent Liabilities

Save as disclosed in Note 38 to the consolidated financial statements, the Group did not have any significant contingent liabilities as at 31 December 2019 and 2018.

Capital Commitments

The Group did not have any significant capital commitments as at 31 December 2019 and 2018.

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 ("HK$"). The foreign exchange rate risk with respect to HK$ is disclosed in Note 34.1(a) to the consolidated financial statements. During the year ended 31 December 2019, the Group did not hedge its exposure to foreign exchange.

Employees and Remuneration Policy

As at 31 December 2019, the Group employed a total of 241 employees (2018: 321 employees). The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the year ended 31 December 2019, the total staff costs (including directors' emoluments) amounted to approximately RMB30,899,000 (2018: approximately RMB44,936,000).

The Group has adopted a share option scheme (the "**Scheme**") for its employees. Since the adoption of the Scheme, no share options have been granted, exercised, lapsed or cancelled, and as at 31 December 2019, no share options under the Scheme were outstanding.

Future Plans for Material Investments or Capital Assets

Save as disclosed in other sections of 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 to enhance the returns to shareholders of the Company.

Material Acquisition and Disposal

The Group did not have any material acquisition and disposal during the year ended 31 December 2019.

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 then 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 (BVI) to prosecute the same against all the defendants since 12 November 2015.

CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain 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 Xiufeng ("**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 had 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 had 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 fell vacant and the members of Nomination Committee did not comprise a majority of independent non-executive Directors and hence the Company no longer fulfilled the requirements under code provision A.5.1 of the CG Code.

Following the appointment of Mr. Wang Liang ("**Mr. Wang**") as the independent non-executive Director, a member of each of the Audit Committee and Remuneration Committee and the chairman of the Nomination Committee on 17 June 2019, the Board has seven members, being three executive Directors, one non-executive Director and three independent non-executive Directors, which fulfils the requirement of Rules 5.05(1) and 5.05A of the GEM Listing Rules. Further, each of the Audit Committee, Nomination Committee and Remuneration Committee (collectively, the "**Committees**") has no less than three members and comprises a majority of independent non-executive Directors, which fulfils the requirements of the terms of reference of the Committees and complies with Chapter 5 and code provision A5.1 of the Appendix 15 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 2019.

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 2019.

BOARD COMPOSITION

The Board comprises seven Directors, one non-executive Director, three are executive Directors and three are independent non-executive Directors. The members of the Board throughout the year ended 31 December 2019 and up to 23 March 2020 are as follows:

Executive Directors

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

Non-Executive Director

Mr. Liu Mingyong

Independent Non-Executive Directors

Mr. Jiang Bin
Mr. Guo Mingang *(resigned on 18 March 2019)*
Mr. Luo Wenzhi
Mr. Wang Liang *(appointed on 17 June 2019)*

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 23 to 26 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.

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 ensure 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

The Company Secretary, Mr. Chan Tsz Kit ("**Mr. Chan**") is responsible for facilitating communications among Directors as well as with the management. 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 2019.

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, 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, 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); or (ii) 15 March 2018 (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. Luo Wenzhi); or (iii) 17 June 2019 (in respect of Mr. Wang Liang), 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 2019. 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 2019.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

The Board meets regularly and additional meetings will be convened when considered necessary by the Board; 9 board meetings and 1 general meeting were held throughout the year ended 31 December 2019. 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	9/9	1/1
Mr. Lo Chun Yim	5/9	1/1
Mr. Lu Yongmin	4/9	1/1
Mr. Liu Mingyong	9/9	1/1
Mr. Jiang Bin	5/9	1/1
Mr. Guo Mingang *(resigned on 18 March 2019)*	0/9	0/1
Mr. Luo Wenzhi	5/9	1/1
Mr. Wang Liang *(appointed on 17 June 2019)*	3/9	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 2019, 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
Mr. Liu Mingyong	A, B, C
Mr. Jiang Bin	A, B, C
Mr. Guo Mingang *(resigned on 18 March 2019)*	A, B, C
Mr. Luo Wenzhi	A, B, C
Mr. Wang Liang *(appointed on 17 June 2019)*	A, B, C

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 four members comprising of three independent non-executive Directors and one non-executive Director, namely Mr. Jiang Bin (Chairman), Mr. Luo Wenzhi, Mr. Wang Liang and Mr. Liu Mingyong. The Audit Committee had reviewed the final results of the Group for the year ended 31 December 2019, the annual report of the Group for the year ended 31 December 2019, interim results and report for the six months ended 30 June 2019, the quarterly results and reports for the periods ended 31 March 2019 and 30 September 2019. 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 2019, 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 2019 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 2019 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 2019.

	Number of attendance/ number of meetings
Mr. Jiang Bin *(Chairman)*	4/4
Mr. Guo Mingang *(resigned on 18 March 2019)*	0/4
Mr. Luo Wenzhi	4/4
Mr. Liu Mingyong	4/4
Mr. Wang Liang *(appointed on 17 June 2019)*	2/4

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 three members comprising of two independent non-executive Directors and one executive Director, namely Mr. Luo Wenzhi (Chairman), Mr. Wang Liang 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 2019, three meetings of the Remuneration Committee were 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 2019 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 2019 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 2019.

	Number of attendance/ number of meeting
Mr. Luo Wenzhi *(Chairman)*	3/3
Mr. Guo Mingang *(resigned on 18 March 2019)*	0/3
Mr. Wang Liang *(appointed on 17 June 2019)*	1/3
Mr. Xia Xiufeng	3/3

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 three members comprising of two independent non-executive Directors and one executive Director, namely Mr. Wang Liang (Chairman), Mr. Jiang Bin and Mr. Lu Yongmin. Throughout the year ended 31 December 2019, three meetings of the Nomination Committee were 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 2019 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 2019 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 2019.

	Number of attendance/ number of meeting
Mr. Guo Mingang *(Chairman) (resigned on 18 March 2019)*	0/3
Mr. Wang Liang *(Chairman) (appointed on 17 June 2019)*	1/3
Mr. Jiang Bin	2/3
Mr. Lu Yongmin *(appointed on 23 March 2019)*	3/3

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 2019, 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.

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 2019, there is no change in the Company's constitutional documents.

DIRECTORS

Executive Directors

Mr. Xia Xiufeng (夏秀峰), also known as Mr. Osaka Masami, aged 59, 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 2019, 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 (盧春熠), aged 50, 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 2019, 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, he is also the beneficial shareholder of Urban Emotions Ltd ("**Urban**") which holds 29,562,500 shares of the Company and the sole beneficial shareholder of Mind Phenomenon Ltd ("**Mind Phenomenon**") holding 30,745,000 shares of the Company. Therefore, Mr. Lo is interested in 166,307,500 shares of the Company within the meaning of Part XV of the SFO.

* *For identification purpose only*

Mr. Lu Yongmin (盧勇敏), aged 56, 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. (中煤科集團瀋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 2019, 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 50, 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 50, 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 50, 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. Mr. Luo is currently a partner-level lawyer in W&H Law Firm (煒衡律師事務所) in Beijing and a executive director at Hexie Yijiayi (Beijing) Management Consulting Ltd. (和諧一加一（北京）管理顧問有限公司) and Beijing Luzhixing Internet Technology Co., Ltd (北京律之星網絡科技有限公司).

Mr. Wang Liang (王亮), aged 49, is an independent non-executive Director appointed on 17 June 2019. Mr. Wang obtained a bachelor degree in dyeing and finishing engineering from Beijing Institute of Fashion Technology in 1995. Mr. Wang has nearly 13 years of experience in the auditing field. He was qualified as a PRC Certified Tax Agent in 2011 and qualified as a PRC Certified Public Accountant in 2012. He joined Zhongxingcai Guanghua Certified Public Accountants LLP (中興財光華會計師事務所) in July 2015 and is currently a partner. Mr. Wang has extensive experience in auditing and consultation on management and taxation.

* *For identification purpose only*

Senior Management

Miss Zhou Yan (周雁), aged 36, is the vice president of the Company. Miss Zhou graduated from Beijing Normal University in 2007 and Renmin University of China with a master degree in business administration. Miss Zhou has nearly ten years of experience in the investment and corporate governance. She joined the Yunnan Tin Co.,Ltd (雲南錫業股份有限公司) as the investment manager and assistant of the general manager of Yunnan Yunxi Xinrunda Investment Co., Ltd. (雲南雲錫鑫潤達投資有限公司) from 2009 to 2014; For the period from 2014 to 2016, she was engaged in industry research and post-investment management in Zero 2IPO Group. She worked as the vice president of the company since 2017 until now.

Mr. Cao Yongsheng (曹永勝), aged 46, 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.

Company Secretary

Mr. Chan Taz Kit (陳子杰), aged 44, 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 2019.

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 2019, 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 2019	**Planned use of proceeds as stated in the Prospectus from the LPD to 31 December 2019** (HK$ million) (Note)	**Actual use of proceeds from the LPD to 31 December 2019** (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 2019 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.

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 lease services in China. The principal activities and other particulars of the Company's subsidiaries are set out in Note 37 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 58 to 59.

The Directors did not recommend the payment of a dividend for the year ended 31 December 2019.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in Note 21 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Detail of retirement schemes of the Group are set up under Note 4 (o) 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 2019.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, 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 RMB105,449,000 (2018: approximately RMB107,049,000) as set out in Note 21 to the consolidated financial statements.

CLOSURE OF THE REGISTER OF MEMBER

The register of members of the Company will be closed from Tuesday, 5 May 2020 to Friday, 8 May 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Monday, 4 May 2020.

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 150 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 34.4% (2018: 27.8%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 13.4% (2018: 7.5%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for approximately 53.5% (2018: 57.3%) of the total purchase for the year and goods supplied from the Group's largest supplier included therein amounted to approximately 17.9% (2018: 19.7%) 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 34 to the consolidated financial statements.

During the year ended 31 December 2019, 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 42 to 50 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 2019, 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 2019, no share options under the Scheme were outstanding.

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this report were:

Executive Directors

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

Non-Executive Director

Mr. Liu Mingyong

Independent Non-Executive Directors

Mr. Jiang Bin
Mr. Guo Mingang *(resigned on 18 March 2019)*
Mr. Luo Wenzhi
Mr. Wang Liang *(appointed on 17 June 2019)*

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) and 83(3) of the articles of the association of the Company, Mr. Xia Xiufeng, Mr. Liu Mingyong and Mr. Wang Liang will retire at the forthcoming annual general meeting. Mr. Xia Xiufeng, Mr. Liu Mingyong and Mr. Wang Liang, 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 23 to 26 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) 15 March 2018 (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. Luo Wenzhi) or (iii) 17 June 2019 (in respect of Mr. Wang Liang), 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 2019.

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 2019.

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 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2019, 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 2019, 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	166,307,500 (Note 2)	20.97%
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 166,307,500 Shares represent 106,000,000 Shares held by Rise Grace, 29,562,500 Shares held by Urban and 30,745,000 Shares held by Mind Phenomenon. 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, which was in turn wholly and beneficially owned by Mr. Lo Chun Yim, an executive Director of the Company. Urban was a company incorporated in the BVI with limited liability which was directly wholly-owned by Mr. Lo Chun Yim. Mind Phenomenon was a Company incorporated in the BVI with limited liability, which is directly wholly-owned by Mr. Lo. Accordingly, Mr. Lo Chun Yim was deemed to be interested in all the Shares in which Rise Grace, Urban and Mind Phenomenon were interested by virtue of the SFO.

(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 2019.

Save as disclosed above, as at 31 December 2019, 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 2019, 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%
Ms. Hong Man Chu (Note 6)	Interest of spouse	166,307,500	20.97%

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) The approximate percentage of shareholding is calculated based on the total number of issued Shares of the Company as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, 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 2019.

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 2019.

The remuneration of the senior management (including the Directors) of the Group by band for the year ended 31 December 2019 is set out below:

Remuneration bands	Number of senior management
HK$ Nil to HK$1,000,000	11
	11

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 2019 are set out in Note 35 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 2019, 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. On 1 January 2019, Xinyi (Tianjin) entered into an agreement with the Group to continue the supply of the Xinyi Goods to the Group for the year ending 31 December 2019 (the **"Renewal Agreement"**).

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 Renewal Agreement, the annual cap (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 RMB7 million. The amount of total purchases (inclusive of tax) from Xinyi Glass Group for the year ended 31 December 2019 under the Renewal Agreement amounted to approximately RMB6,922,000 (2018: approximately RMB13,749,000).

A new supply agreement regarding Xinyi Goods was entered into on 10 March 2020, 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 2019.

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 35 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 2019.

EVENTS AFTER THE REPORTING PERIOD

(a) On 22 January 2020, ZM Leasing (Tianjin) Limited ("ZM Leasing"), a direct wholly-owned subsidiary of the Company, entered into the lease agreement with Heilongjiang Jiansanjiang Nongken Jiuzhou Fangyuan Biomass New Material Co., Ltd ("Heilongjiang Jiansanjiang"), pursuant to which ZM Leasing agreed to provide finance lease to Heilongjiang Jiansanjiang by way of sale and leaseback the lease assets to Heilongjiang Jiansanjiang at a consideration of RMB25,000,000.

For details, please refer to the announcement of the Company dated 22 January 2020.

(b) On 21 February 2020, ZM Leasing, a direct wholly-owned subsidiary of the Company, entered into a lease agreement with Jianping Xian Xingwo Biomass New Material Co., Ltd ("Jianping"), a company established in the PRC with limited liability, pursuant to which ZM Leasing agreed to provide finance lease to Jianping by way of sale and leaseback the leased assets to Jianping at a consideration of RMB6,000,000.

For details, please refer to the announcement of the Company dated 21 February 2020.

(c) On 10 March 2020, Xinyi Glass Holdings Limited and its subsidiaries ("Xinyi Group") entered into an agreement with Beijing Zhengmei Fengye Automobile Service Co., Ltd, an indirect wholly-owned subsidiary of the Company, to continue the supply of the automobile glass to the Group for the year ending 31 December 2020.

For details, please refer to the announcement of the Company dated 10 March 2020.

(d) Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Up to the date of these financial results, COVID-19 has not resulted in material impact to the Group. Pending on the development and spread of COVID-19 subsequent to the date of these financial results, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial results. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

Saved as above and as disclosed in Note 39 to the consolidated financial statements, no other material events were taken by the Company or by the Group after 31 December 2019.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2019 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, 23 March 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

The Board is pleased to present the 2019 Environmental, Social and Governance (ESG) report of the Company. 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 2019 and covers the Company's ESG approach, strategy, priorities and objectives. The Board takes the lead and has the oversight of the Group's ESG matters, and assumes the ultimate responsibility for the ESG report. 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 lease services in the PRC and 16 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/repaired services industries in the PRC by further expanding its business operations in the PRC. The business 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 lease segment includes providing lease services to quality customers in chemical industry in the PRC.

The environmental and social aspects also 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 12 service centres providing automobile glass installation and repair services, and also engages in the trading of automobile glass in four cities in the PRC, namely Beijing, Shenyang, Tianjin and Sanhe.

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 transparency 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.

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. With a continuous stakeholder engagement, the Group has gathered the valuable feedback from its significant stakeholders who are concerned of a variety of sustainability-themed topics in the Group's business development. Sticking the four reporting principles, especially the principle of Materiality, the Group has prioritised the concerns from stakeholders and committed to allocating more resources to the topics that are relevant and material to the Group.

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 2019, the average turnover rate for employees was 28.3% and the employees age distribution is as below:

Age Group	No. of Employee	Percentage
30 or below	74	31%
31 to 50	126	52%
51 or above	41	17%
	241	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 2019, 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 option scheme for its employees. Details of the share option scheme are set out in the paragraph headed "Report of the Directors – Share Option 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 2019, the Group has not recorded any work injury and work-related fatalities (2018: 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 2019.

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. 35 (2018: 20) of our employees received such training during the year ended 31 December 2019. 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 2019, 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 2019, 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, wastewater 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 2019, the Group has installed 1,412 photovoltaic pieces (2016:932, 2017: 555, 2018: 1,487) which can generate 363.6 kWh (2016: 231.5 kWh, 2017: 150.0 kWh, 2018: 381.5 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 2019, the Group has recycled approximately 65,447 (2017: 64,200, 2018: 73,820) pieces of waste automobile glass and represented approximately 95% (2017: 95%, 2018: 98%) of automobile glass installed in our service centres. The Group is committed to furthering its efforts in the recycling of waste automobile glass in the future, aiming to integrate the concept of 'circular economy' in its business strategies.

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 2019, the Group's energy indirect emission resulting from electricity consumption were 433.1 tCO2e (Scope 2) (2018: 488.6 tCO2e) and direct emissions (Scope 1) resulting from motor car traveling were 757.2 tCO2e (2018: 845.4 tCO2e). The greenhouse gas emissions were 1,190.3 tCO2e (2018: 1,334 tCO2e) in total and 3.62 tCO2e per employee (average workforce in FY2019: 329). 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 14,106 and 7,403 Kg, respectively. In FY2019, the Group has successfully cut down its GHG emissions, which dropped by around 11%. The Group is committed to further lowering its GHG emissions with concerned efforts by all employees in the company, aiming to move towards sustainable development.

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, the offices of the Group were estimated to generate a total of approximately 2.2 tonnes municipal solid waste and 455.84 m^3 wastewater in FY2019. Notably, the Hong Kong office of the Group aims to further reduce its generation of solid waste by 10% in the near future.

During the year ended 31 December 2019, 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 12 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 2019, the Group's energy consumption was 511.18 MWh of electricity in total and 1,554 kWh of electricity per employee. As compared with last year, the total electricity consumption and its intensity declined by around 13% and 19%, respectively, marking a magnificent success of the Group in its electricity control. 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 10,968 m^3 in FY2019. 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 2,140 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 a 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 2019, we did not have any product returned due to safety or health problems or any complaint received from our customers (2018: 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 2019.

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.

In 2019, the Group was in compliance with the applicable laws and regulations in relation to the quality, health and safety, advertisement, label and privacy of its products that have a significant impact on the Group.

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 2019, 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 2019.

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 58 to 149, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019 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 2019.

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 an independent professional valuer to assess the recoverable amounts of the individual asset, which involved fair value calculation using direct comparison approach. Management has also assessed the recoverable amounts of the cash-generating units by value in use calculations. 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, in particular the 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 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 finance lease receivables and trade receivables

(Refer to notes 16 and 18 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to provision for expected credit losses model on finance lease receivables and trade receivables set out in note 5(iv))

The Group's finance lease receivables and trade receivables amounted to approximately RMB89,477,000 and RMB9,594,000 respectively, and accounted for 46% of the Group's total assets as at 31 December 2019. The assessment of impairment of finance lease receivables and trade 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 uses 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 16 and 18 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 during the year and up to the 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.

Estimated provision for inventories

(Refer to note 17 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to estimated write-downs of inventories to net realisable value set out in note 5(iii))

As at 31 December 2019, the carrying value of the Group's inventories amounted to approximately RMB28,277,000, net of provision of obsolete inventories of approximately RMB7,123,000, which consisted mainly of automobile glass for various car models. Inventories are carried at lower of cost and net realisable value in the consolidated financial statements. As the demand of automobile glass are complementary to various car models that change from time to time, management applies judgement in estimating the net realisable value of inventories taking into consideration of a number of factors, including car models, gross margin of subsequent sales, sales and utilisation history, physical conditions and aging of inventories. We identified this area as a key audit matter because of its significance to the consolidated financial statements and judgements are involved in estimating the provision of inventories, which might have a significant financial impact to the consolidated financial statements.

Our response:

Our procedures in relation to management's assessment on provision for inventories included, but not limited to, the following procedures:

- understood and evaluated the appropriateness and consistency of the basis management used in estimating the level of provision for inventories by comparing the historical accuracy of inventory provisioning, on a sample basis, to the realised amount; and the level of inventory write-offs or provision for impairment during the year;
- performed physical inventory observation at year end to identify whether there is any damaged or obsolete inventory;
- checked, on a sample basis, the accuracy of inventories aging used by management to estimate the appropriate provision for inventories;
- compared the carrying amounts of a sample of inventories to their net realisable value through a review of sales subsequent to the year end to check for completeness of the associated provision; and
- reviewed the assessment performed by management, in particular whether the inventories not being provided for or written off could be supported by future sales and continuous utilisation, by referencing to historical sales pattern and our industry knowledge.

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, 23 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	6	**102,194**	175,878
Cost of sales	8	**(80,424)**	(89,788)
Gross profit		**21,770**	86,090
Other gain or loss, net	7	**(12,595)**	(3,834)
Selling and distribution costs	8	**(17,207)**	(19,373)
Administrative expenses	8	**(21,642)**	(32,074)
		(29,674)	30,809
Finance income		**103**	80
Finance cost		**(780)**	(448)
Finance cost, net	10	**(677)**	(368)
(Loss)/Profit before income tax		**(30,351)**	30,441
Income tax expense	11	**(1,777)**	(7,557)
(Loss)/Profit for the year		**(32,128)**	22,884
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		**32**	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		**(66)**	(1,714)
Total comprehensive income for the year		**(32,162)**	23,087

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
(Loss)/Profit attributable to:			
Owners of the Company		**(31,311)**	22,283
Non-controlling interests		**(817)**	601
		(32,128)	22,884
Total comprehensive income attributable to:			
Owners of the Company		**(31,345)**	22,486
Non-controlling interests		**(817)**	601
		(32,162)	23,087
		RMB cents	RMB cents
(Loss)/Earnings per share attributable to owners of the Company for the year	12		
Basic		**(3.95)**	2.87
Diluted		**(3.95)**	2.86

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**65,421**	57,605
Intangible assets	14	**–**	5,243
Finance lease receivables	16	**17,832**	61,370
Deferred tax assets	26	**1,917**	1,921
		85,170	126,139
Current assets			
Inventories	17	**28,277**	34,518
Trade and other receivables	18	**11,636**	26,787
Finance lease receivables	16	**71,645**	37,734
Investments in equity instruments designated at fair value through other comprehensive income	15	**–**	647
Income tax recoverable		**249**	249
Cash and cash equivalents	19	**20,211**	28,122
		132,018	128,057
Total assets		**217,188**	254,196
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	**6,372**	6,372
Reserves	21	**186,575**	217,524
		192,947	223,896
Non-controlling interests		**(168)**	1,845
Total equity		**192,779**	225,741

	Notes	2019 RMB'000	2018 RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	22	**9,269**	14,934
Lease liabilities	27	**3,188**	–
Deposits received from finance lease customers	24	**1,737**	–
Bank borrowings	23	**–**	2,000
Loan from a shareholder	25	**447**	–
Income tax payables		**760**	7,854
		15,401	24,788
Non-current liabilities			
Lease liabilities	27	**6,286**	–
Deposits received from finance lease customers	24	**2,722**	3,667
		9,008	3,667
Total liabilities		**24,409**	28,455
Total equity and liabilities		**217,188**	254,196
Net current assets		**116,617**	103,269
Total assets less current liabilities		**201,787**	229,408
Net assets		**192,779**	225,741

On behalf of the directors

Xia Xiufeng
Director

Lo Chun Yim
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Attributable to owners of the Company						
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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	20	115	4,149	–	–	4,264	–	4,264
Equity-settled share-based payment expenses	29	–	–	(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
Loss for the year		–	–	–	**(31,311)**	**(31,311)**	**(817)**	**(32,128)**
Other comprehensive income								
Currency translation differences		–	–	**(66)**	–	**(66)**	–	**(66)**
Disposal of investments in equity instrument designated at fair value through other comprehensive income		–	–	**435**	**(403)**	**32**	–	**32**
Total comprehensive income		–	–	**369**	**(31,714)**	**(31,345)**	**(817)**	**(32,162)**
Transactions with equity owners of the Company recognised directly in equity								
Acquisition of additional interests in subsidiaries		–	–	**396**	–	**396**	**(1,196)**	**(800)**
Appropriation to PRC statutory reserves		–	–	**385**	**(385)**	–	–	–
Balance at 31 December 2019		**6,372**	**315,864**	**(36,378)**	**(92,911)**	**192,947**	**(168)**	**192,779**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
(Loss)/Profit before income tax	**(30,351)**	30,441
Adjustments for:		
Depreciation of property, plant and equipment	**5,829**	2,411
Write off of trade receivables	**3,056**	–
Write off of inventories	**2,233**	–
Provision for impairment of property, plant and equipment	**469**	–
Provision for impairment of intangible assets	**5,243**	–
Loss allowance on finance lease receivables	**3,482**	5,488
Provision for/(Reversal of) obsolete inventories	**6,923**	(902)
Reversal of equity-settled share-based payment expenses	**–**	(2,550)
Interest income	**(103)**	(80)
Interest expenses	**780**	448
Loss/(Gain) on disposals of property, plant and equipment	**20**	(10)
Gain on disposals of subsidiaries	**–**	(81)
Gain on transfer of trademarks	**–**	(959)
Imputed interest income	**(33)**	(418)
Operating (loss)/profit before working capital changes	**(2,452)**	33,788
Changes in working capital:		
Decrease/(Increase) in trade and other receivables	**10,909**	(4,794)
Decrease/(Increase) in finance lease receivables	**6,145**	(104,592)
Increase in inventories	**(2,915)**	(5,887)
Decrease in trade and other payables	**(4,942)**	(12,459)
Increase in deposit received from finance lease customers	**650**	4,000
Net cash generated from/(used in) operations	**7,395**	(89,944)
Income tax paid	**(8,867)**	(9,235)
Interest paid	**(605)**	(363)
Net cash used in operating activities	**(2,077)**	(99,542)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		**(488)**	(532)
Proceeds from disposals of property, plant and equipment		**49**	30
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 from disposals of subsidiaries, net	28	**–**	9,387
Interest received	10	**103**	80
Repayment from non-controlling interests		**–**	15
Net cash (used in)/generated from investing activities		**(336)**	51,209
Cash flows from financing activities			
Proceeds from bank borrowings	32(b)	**–**	3,400
Repayments of bank borrowings	32(b)	**(2,000)**	(1,400)
Proceeds from loan from a shareholder	32(b)	**16,291**	17,742
Repayments of loan from a shareholder	32(b)	**(15,851)**	(18,845)
Repayment to a director	32(b)	**–**	(92)
Repayment of capital element of lease liabilities	32(b)	**(3,050)**	–
Payment for acquisition of additional interests in subsidiaries		**(800)**	–
Proceeds from disposals of shares held by the share award scheme		**–**	5,974
Proceeds from issuance of shares upon share subscription		**–**	4,363
Transaction costs in connection with issuance of shares		**–**	(99)
Net cash (used in)/generated from financing activities		**(5,410)**	11,043
Net decrease in cash and cash equivalents		**(7,823)**	(37,290)
Cash and cash equivalents at beginning of the year		**28,122**	66,000
Effect of foreign exchange		**(88)**	(588)
Cash and cash equivalents at end of the year		**20,211**	28,122

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.

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 2019, 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 on 1 January 2019

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certificate Public Accountants ("HKICPA"), which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015-2017 Cycle	HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	HKAS 23, Borrowing Costs
Amendments to Hong Kong Accounting Standards ("HKAS") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

Except for as explained below, the adoption of these new or amended HKFRSs has no material impact on the Group's consolidated financial statements.

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

(a) Adoption of new or revised HKFRSs – effective on 1 January 2019 *(Continued)*

HKFRS 16 – Leases

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "*Leases*" ("HKAS 17"), HK(IFRIC)-Int 4 "*Determining whether an Arrangement contains a Lease*" ("HK(IFRIC)-Inc 4"), HK(SIC)-Int 15 "*Operating Leases-Incentives*" and HK(SIC)-Int 27 "*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*". From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.75%.

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 1 January 2019. For all these right-of-use assets, the Group has applied HKAS 36 *"Impairment of Assets"*, at 1 January 2019 to assess if there was any impairment as on that date.

The new accounting policies are set out in Note 4(r).

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

(a) Adoption of new or revised HKFRSs – effective on 1 January 2019 *(Continued)*

HKFRS 16 – Leases (Continued)

(i) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the "underlying asset") for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(ii) Impact on adoption of HKFRS 16

The Group has applied HKFRS 16 using the modified retrospective approach with a date of initial application of 1 January 2019, under which the cumulative effect of initial application is recognised as of 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

Consolidated statement of financial position as of 1 January 2019	**RMB'000**
Right-of-use assets presented in property, plant and equipment	6,750
Trade and other receivables	(1,171)
Lease liabilities (non-current)	4,729
Lease liabilities (current)	850

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

(a) Adoption of new or revised HKFRSs – effective on 1 January 2019 *(Continued)*

HKFRS 16 – Leases (Continued)

(ii) Impact on adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as of 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities	**RMB'000**
Operating lease commitment as of 31 December 2018	16,888
Less: short term leases for which lease terms end within 31 December 2019	(8,248)
Less: leases of low-value assets	(3)
Less: future interest expenses	(3,058)
Total lease liabilities as of 1 January 2019	5,579

(iii) Transition

The Group has also applied the follow practical expedients:

(i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

(ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases;

(iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and

(iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

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

(a) Adoption of new or revised HKFRSs – effective on 1 January 2019 *(Continued)*

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. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

(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.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKAS 1(Revised) and HKAS 8	Definition of Material[1]

[1] Effective for annual periods beginning on or after 1 January 2020

The directors do not expect that the amendments listed above will have a material impact on the Group's consolidated financial statements upon application.

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.

4. Significant accounting policies *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

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.

(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.

4. Significant accounting policies *(Continued)*

(c) 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.

(d) 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.

4. Significant accounting policies *(Continued)*

(e) 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.

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(h)), 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.

4. Significant accounting policies *(Continued)*

(f) 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:

Land and buildings	Over the remaining lease term
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)*

(g) 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(h)).

(h) 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, including right-of-use assets; 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)*

(h) 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(e)), 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.

(i) Financial instruments

(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 fair value through profit or loss ("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)*

(i) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Debt instruments (Continued)

Fair value through other comprehensive income ("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)*

(i) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables, finance lease 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 finance lease receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. 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.

Significant increase in credit risk

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, informed credit assessment and 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.

Definition of default

For internal credit risk management, the Group classifies credit risk on finance lease receivables into five categories as disclosed in Note 34.1(c). The internal credit risk ratings are based on qualitative (such as lessee's operating conditions, financial positions, etc.) and quantitative factors (mainly includes past due information of the finance lease receivables).

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset or finance lease receivable is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. Significant accounting policies *(Continued)*

(i) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets (Continued)

Credit-impaired financial assets/finance lease receivables

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.

Write-off policy

The Group writes off a financial asset or finance lease receivables when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECLs

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. 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.

The measurement of ECLs on finance lease receivables is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default ("EAD"). The assessment of the PD and LGD is based on historical data adjusted by forward-looking information. Estimation of ECLs reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Where ECLs is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments (i.e. the Group's other receivables and finance lease receivables are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

4. Significant accounting policies *(Continued)*

(i) Financial instruments *(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.

Financial liabilities at fair value through profit or loss

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 liabilities contain 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 profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost including trade and other payables, bank borrowings, lease liabilities and loan from a shareholder 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.

4. Significant accounting policies *(Continued)*

(i) Financial instruments *(Continued)*

(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 expired 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.

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.

(j) 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.

(k) 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.

4. Significant accounting policies *(Continued)*

(l) 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.

(m) Share based payments

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)*

(n) 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 from 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)*

(o) 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.

Hong Kong

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.

The PRC

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 employees 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.

4. Significant accounting policies *(Continued)*

(o) Employee benefits *(Continued)*

(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.

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.

(p) 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.

4. Significant accounting policies *(Continued)*

(q) Revenue recognition

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.

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 services 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 and consideration is payable when invoiced.
- 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.

4. Significant accounting policies *(Continued)*

(q) Revenue recognition *(Continued)*

- 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. Customer are invoiced on a periodical basis and consideration is payable when invoiced.

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

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

4. Significant accounting policies *(Continued)*

(r) Leasing

Accounting policies applied from 1 January 2019

Accounting as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

(a) Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) any lease payments made at or before the commencement date, less any lease incentives received;

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is related to the land and buildings which is held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

4. Significant accounting policies *(Continued)*

(r) Leasing *(Continued)*

Accounting policies applied from 1 January 2019 (Continued)

Accounting as a lessee (Continued)

(b) Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

4. Significant accounting policies *(Continued)*

(r) Leasing *(Continued)*

Accounting policies applied from 1 January 2019 (Continued)

Accounting as a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease payments receivable by the Group, the initial direct costs and the unguaranteed residual value in the finance lease receivable.

The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) the aggregate of their present values is recognised as unearned finance lease income. Finance lease receivable net of unearned finance lease income which represents the Group's net investment in the finance lease is presented as finance lease receivables in the consolidated statement of financial position. Unearned finance lease income is allocated over the lease term based on a pattern reflecting a constant periodic return on the Group's net investment in the finance lease, and is recognised as revenue.

The impairment provision measurement and derecognition of finance lease receivable are complied with basic accounting policy of the financial assets (Note 4(i)). The Group incorporates forward looking information in estimating the expected credit loss for finance lease receivables. The Group derecognises finance lease receivables when the rights to receive cash flows from the finance lease have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

4. Significant accounting policies *(Continued)*

(r) Leasing *(Continued)*

Accounting policies applied until 31 December 2018

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.

(i) 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.

(ii) 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)*

(s) 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); or

(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.

4. Significant accounting policies *(Continued)*

(s) Related parties *(Continued)*

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 16 and 18 respectively.

(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 then 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 38.

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 then 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 over 4 years since 12 November 2015. Management had consulted legal advisor in Hong Kong in response to the Originating Summons. The directors have thoroughly revisited the situations based on the advice of Hong Kong legal advisor 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 2019 and 2018.

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) Lease – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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.

Information reported to CODM for the purpose of resource allocation and assessment of segment performance is 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. 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 lease services" in its consolidated financial statements for the years ended 31 December 2019 and 2018. 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 2019 and 2018, the Group's non-current assets were all located in the PRC. For the year ended 31 December 2019, revenue of approximately RMB13,700,000 was derived from sales by automobile glass segment to an external customer, which contributed 10% or more of the Group's revenue. There was no external customer contributing 10% or more of the Group's revenue for the year ended 31 December 2018.

Sales between segments are carried out at terms mutually agreed by both parties. The revenue form external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of profit or loss.

	Automobile glass		Photovoltaic system		Business consultancy services		Finance lease services		Reportable segments total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue										
– Sales of automobile glass with installation/repair services	**80,074**	90,149	**–**	–	**–**	–	**–**	–	**80,074**	90,149
– Trading of automobile glass	**8,143**	13,337	**–**	–	**–**	–	**–**	–	**8,143**	13,337
– Provision of installation services of photovoltaic system	**–**	–	**1,301**	1,744	**–**	–	**–**	–	**1,301**	1,744
– Financial advisory services	**–**	–	**–**	–	**–**	24,522	**–**	–	**–**	24,522
– Capital restructuring advisory services	**–**	–	**–**	–	**–**	11,342	**–**	–	**–**	11,342
– Business consultancy services	**–**	–	**–**	–	**1,144**	4,000	**–**	–	**1,144**	4,000
– Investment research & development services	**–**	–	**–**	–	**–**	6,322	**–**	–	**–**	6,322
– Fund consultancy services	**–**	–	**–**	–	**930**	19,081	**–**	–	**930**	19,081
– Credit rating consultancy services	**–**	–	**–**	–	**–**	943	**–**	–	**–**	943
– Finance lease income	**–**	–	**–**	–	**–**	–	**11,325**	5,463	**11,325**	5,463
	88,217	103,486	**1,301**	1,744	**2,074**	66,210	**11,325**	5,463	**102,917**	176,903
Inter-segment sales	**(459)**	(1,025)	**–**	–	**(264)**	–	**–**	–	**(723)**	(1,025)
Reportable segment revenue	**87,758**	102,461	**1,301**	1,744	**1,810**	66,210	**11,325**	5,463	**102,194**	175,878

6. Segment reporting *(Continued)*

	Automobile glass		Photovoltaic system		Business consultancy services		Finance lease services		Reportable segments total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Timing of revenue recognition										
– At a point of time	**87,758**	102,461	**–**	–	**1,810**	66,210	**–**	–	**89,568**	168,671
– Over time	**–**	–	**1,301**	1,744	**–**	–	**11,325**	5,463	**12,626**	7,207
	87,758	102,461	**1,301**	1,744	**1,810**	66,210	**11,325**	5,463	**102,194**	175,878
Results of reportable segments	**(9,525)**	(1,600)	**(1,041)**	1,312	**(20,981)**	34,627	**5,495**	(1,636)	**(26,052)**	32,703
Depreciation of property, plant and equipment	**(5,361)**	(1,785)	**(6)**	(6)	**(462)**	(620)	**–**	–	**(5,829)**	(2,411)
Interest expense	**(591)**	(102)	**–**	–	**–**	–	**(175)**	(85)	**(766)**	(187)
Interest income	**42**	20	**10**	4	**4**	44	**47**	12	**103**	80
Loss allowance on finance lease receivables (Note 16)	**–**	–	**–**	–	**–**	–	**(3,482)**	(5,488)	**(3,482)**	(5,488)
Provision for impairment of property, plant and equipment (Note 13)	**(469)**	–	**–**	–	**–**	–	**–**	–	**(469)**	–
Provision for impairment of intangible assets (Note 14)	**–**	–	**–**	–	**(5,243)**	–	**–**	–	**(5,243)**	–
(Provision for)/Reversal of obsolete inventories	**(6,923)**	902	**–**	–	**–**	–	**–**	–	**(6,923)**	902
Write off of inventories	**–**	–	**–**	–	**(2,233)**	–	**–**	–	**(2,233)**	–
Write off of trade receivables	**–**	–	**(394)**	–	**(2,662)**	–	**–**	–	**(3,056)**	–
Addition to non-current assets	**(7,433)**	(514)	**–**	–	**–**	(18)	**–**	–	**(7,433)**	(532)

A reconciliation of results of reportable segments to (loss)/profit for the year is as follows:

	2019	2018
	RMB'000	RMB'000
Total of results of reportable segments	**(26,052)**	32,703
Unallocated finance cost	**(14)**	(261)
Unallocated corporate expenses	**(4,285)**	(2,001)
(Loss)/Profit before income tax of the Group	**(30,351)**	30,441

Certain finance cost and corporate expenses are not allocated to the reportable segments as they are not included in the measure of the results of reportable segment that is used by CODM for assessment of segment performance.

6. Segment reporting *(Continued)*

Reportable segments assets and liabilities as at 31 December 2019 and 2018, and the reconciliation to consolidated total assets and liabilities of the Group, is as follows:

	Automobile glass		Photovoltaic system		Business consultancy services		Finance lease services		Reportable segments total	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Segment assets	**105,527**	106,894	**1,612**	3,431	**7,284**	40,317	**102,453**	103,100	**216,876**	253,742
Cash and cash equivalents									**93**	160
Unallocated corporate assets									**219**	294
Total assets									**217,188**	254,196
Segment liabilities	**15,468**	8,223	**124**	902	**906**	12,742	**5,158**	4,269	**21,656**	26,136
Unallocated corporate liabilities									**2,753**	2,319
Total liabilities									**24,409**	28,455

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

7. Other gain or loss, net

	2019 RMB'000	2018 RMB'000
Gain on disposals of subsidiaries (Note 28)	–	81
Gain on transfer of trademarks	–	959
(Loss)/Gain on disposals of property, plant and equipment	**(20)**	10
Imputed interest income	**33**	418
Rental income	–	15
Write off of trade receivables	**(3,056)**	–
Loss allowance on finance lease receivables (Note 16)	**(3,482)**	(5,488)
Provision for impairment of property, plant and equipment (Note 13)	**(469)**	–
Provision for impairment of intangible assets (Note 14)	**(5,243)**	–
Others	**(358)**	171
	(12,595)	(3,834)

8. Expenses by nature

	2019 RMB'000	2018 RMB'000
Cost of inventories (Note 17)	**51,565**	56,129
Auditor's remuneration	**1,500**	2,215
Advertising and marketing	**825**	1,373
Tax surcharges	**1,288**	1,499
Employee costs (including directors' emoluments) (Note 9)	**30,899**	44,936
Depreciation on property, plant and equipment (Note 13)	**5,829**	2,411
Minimum lease payments for leases previously classified as operating lease under HKAS 17	**–**	12,003
Short-term leases expenses	**4,340**	–
Low-value assets leases expenses	**15**	–
Fuel	**2,292**	3,330
Utilities	**669**	2,003
Provision for/(Reversal of) obsolete inventories (Note)	**6,923**	(902)
Write off of inventories	**2,233**	–
Transportation	**1,260**	1,962
Meeting and conference expenses	**1,874**	3,247
Repair and maintenance	**56**	802
Tools and liveries	**175**	440
Office expenses	**988**	1,131
Legal and professional fees	**2,554**	3,548
Sales agency fees	**2,892**	3,384
Sub-contracting fees	**–**	450
Others	**1,096**	1,274
	119,273	141,235

Note:

The reversal of write down of inventories during the year ended 31 December 2018 was due to an increase in the estimated net realisable value of certain products as a result of change in market condition and sales of certain products which had been written down to net realisable value in prior years.

9. Employee costs (including directors' emoluments)

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	**26,221**	41,002
Contributions to defined contribution retirement, other social security plans and housing fund	**4,678**	6,484
Reversal of equity-settled share-based payment expenses	**–**	(2,550)
	30,899	44,936

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

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.

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

		Other emoluments		
	Fees RMB'000	**Salaries, allowances and benefits in kind RMB'000**	**Employer's contribution to defined contribution retirement plans RMB'000**	**Total RMB'000**
Year ended 31 December 2019				
Executive directors				
Xia Xiufeng (Note (ii))	**317**	**100**	**30**	**447**
Lo Chun Yim (Note (iii))	**127**	**–**	**–**	**127**
Lu Yongmin	**127**	**607**	**52**	**786**
Non-executive director				
Liu Mingyong	**127**	**–**	**–**	**127**
Independent non-executive directors				
Jiang Bin	**127**	**–**	**–**	**127**
Guo Mingang (Note (vi))	**32**	**–**	**–**	**32**
Luo Wenzhi	**127**	**–**	**–**	**127**
Wang Liang (Note (vii))	**69**	**–**	**–**	**69**
	1,053	**707**	**82**	**1,842**

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

(a) Directors' emoluments *(Continued)*

		Other emoluments			
	Fees	Salaries, allowances and benefits in kind	Equity-settled share-based payment expenses	Employer's contribution to defined contribution retirement plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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 Mingang (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 Mingang resigned as Independent Non-Executive Director of the Company on 18 March 2019.

(vii) Mr. Wang Liang was appointed as Independent Non-Executive Director of the Company on 17 June 2019.

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

(a) Directors' emoluments *(Continued)*

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 2019 and 2018, 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 year ended 31 December 2018, 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(m) 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 29.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 include two directors (2018: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2018: three) individuals during the years ended 31 December 2019 and 2018 are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries, wages and other benefits	**1,851**	2,537
Contributions to defined contribution retirement plans	**149**	30
	2,000	2,567

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

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	2019 No. of individuals	2018 No. of individuals
Nil – HK$1,000,000	**2**	1
HK$1,000,001 – HK$1,500,000	**1**	2

During the years ended 31 December 2019 and 2018, 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

	2019 RMB'000	2018 RMB'000
Finance cost:		
Interest expense on bank borrowings	**(77)**	(102)
Interest expense on loan from a shareholder	**(14)**	(261)
Imputed interest expense on interest-free deposits from finance lease customers	**(175)**	(85)
Interest expense on lease liabilities (Note 27)	**(514)**	–
	(780)	(448)
Finance income:		
Interest income on bank deposits	**103**	80
	103	80
Finance cost, net	**(677)**	(368)

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 2019 (2018: Nil).

Subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% for the year ended 31 December 2019 (2018: 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 years ended 31 December 2019 and 2018, Shangshi Kuaiche (Hengqin) enjoyed a reduced corporate income tax of 15% as a result of the above reduction on the statutory tax rate.

	2019 **RMB'000**	2018 RMB'000
Current income tax		
– Current year	**2,018**	9,677
– (Over)/Under provision in prior years	**(545)**	127
– Dividends withholding tax	**300**	–
Deferred taxation (Note 26)	**4**	(2,247)
Income tax expense	**1,777**	7,557

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

	2019 **RMB'000**	2018 RMB'000
(Loss)/Profit before income tax	**(30,351)**	30,441
Calculated at domestic tax rates applicable to (loss)/profit in the PRC and Hong Kong	**(6,976)**	7,925
Tax effect of expenses not deductible for tax purposes	**5,833**	1,810
Tax effect of tax loss for which no deferred income tax assets were recognised	**3,261**	1,347
Tax effect of prior years' tax losses utilised in the current year	**(96)**	(1,649)
Effect of tax concessions granted to a PRC subsidiary	**–**	(2,003)
Dividends withholding tax	**300**	–
(Over)/Under provision in prior years	**(545)**	127
Income tax expense	**1,777**	7,557

12. (Loss)/Earnings per share

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

	2019 RMB'000	2018 RMB'000
(Loss)/Profit attributable to owners of the Company for the purpose of diluted (loss)/earnings per share	**(31,311)**	22,283

	Number of shares 2019 '000	 2018 '000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**793,200**	775,147
Effect of dilutive potential ordinary shares in respect of:		
– Shares award	–	4,943
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**793,200**	780,090

The calculation of basic (loss)/earnings per share attributable to owners of the Company for the year ended 31 December 2019 is based on the loss attributable to owners of the Company of approximately RMB31,311,000 (2018: Profit of approximately RMB22,283,000) and on the weighted average number of 793,200,000 (2018: 775,147,000) ordinary shares outstanding during the year.

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

For the year ended 31 December 2019, diluted loss per share was equal to the basic loss per share as there was no potential dilutive ordinary share in issue during the year.

For the year ended 31 December 2018, diluted earnings per share was based on the profit for the year 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 of 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.

13. Property, plant and equipment

	Land and buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Year ended 31 December 2018					
Opening net book amount	57,447	334	2,089	143	60,013
Disposals of subsidiaries (Note 28)	–	(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
Year ended 31 December 2019					
Opening net book amount	**55,360**	**87**	**2,007**	**151**	**57,605**
Initial application of HKFRS 16 (Note 2 (a))	**6,750**	**–**	**–**	**–**	**6,750**
Restated opening net book amount at 1 January 2019	**62,110**	**87**	**2,007**	**151**	**64,355**
Additions	**6,945**	**–**	**473**	**15**	**7,433**
Provision for impairment	**(469)**	**–**	**–**	**–**	**(469)**
Depreciation charge	**(5,075)**	**(31)**	**(702)**	**(21)**	**(5,829)**
Disposals	**–**	**–**	**(49)**	**(20)**	**(69)**
Closing net book amount	**63,511**	**56**	**1,729**	**125**	**65,421**
Year ended 31 December 2019					
Cost	**101,520**	**13,929**	**6,773**	**3,065**	**125,287**
Accumulated impairment	**(22,083)**	**(6,167)**	**(1,968)**	**(1,096)**	**(31,314)**
Accumulated depreciation	**(15,926)**	**(7,706)**	**(3,076)**	**(1,844)**	**(28,552)**
Net book amount	**63,511**	**56**	**1,729**	**125**	**65,421**

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

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Leased land and building for own use RMB'000	Leased properties RMB'000	Total RMB'000
As at 1 January 2019	55,360	6,750	62,110
Additions	–	6,945	6,945
Provision for impairment	(469)	–	(469)
Depreciation charge	(2,087)	(2,988)	(5,075)
As at 31 December 2019	52,804	10,707	63,511

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 27 and 32(b) respectively.

Depreciation charge for the year ended 31 December 2019 of approximately RMB2,992,000 (2018: approximately RMB679,000), approximately RMB901,000 (2018: approximately RMB601,000) and approximately RMB1,936,000 (2018: approximately RMB1,131,000) 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 2019. As at 31 December 2019, net book amount of the Daqing Property before impairment loss was approximately RMB41,469,000 (31 December 2018: approximately RMB42,723,000).

During the year, an impairment loss of approximately RMB469,000 (2018: Nil) was recognised in other gain or loss, net to write down the carrying amount of the Daqing Property to its recoverable amount of RMB41,000,000 (2018: RMB43,000,000) as result of slowdown of economic growth in Daqing. The recoverable amount of the Daqing Property, as at 31 December 2019 and 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 fair value less costs of disposal of Daqing Property is classified as a level 3 measurement.

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

Below is a summary of the valuation technique used and the key unobservable inputs to valuation of the Daqing Property categorised within level 3 measurement:

Valuation technique	Significant unobservable inputs	Range of significant unobservable inputs	Relationship of unobservable inputs to fair value less cost of disposal
Direct comparison	Quality of properties such as location, size and level of the properties	RMB9,000 – RMB14,000	The higher the quality of properties with reference to comparables, the higher the fair value

14. Intangible assets

	Goodwill RMB'000	Trademark RMB'000	Customer relationships RMB'000	Total RMB'000
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
Year ended 31 December 2019				
Opening net book amount	**5,243**	**–**	**–**	**5,243**
Provision for impairment	**(5,243)**	**–**	**–**	**(5,243)**
Closing net book amount	**–**	**–**	**–**	**–**
At 31 December 2019				
Cost	**5,243**	**15,150**	**5,505**	**25,898**
Accumulated impairment	**(5,243)**	**(11,587)**	**(1,848)**	**(18,678)**
Accumulated amortisation	**–**	**(3,563)**	**(3,657)**	**(7,220)**
Net book amount	**–**	**–**	**–**	**–**

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. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. As the Group recorded a decline in profitability during the year, management considers there is indication for impairment for its non-financial assets, whilst the Daqing Property has been separately assessed as set out in Note 13. For the purpose of impairment testing, goodwill of approximately RMB5,243,000 have been allocated to one CGU under business consultancy segment.

The basis of the recoverable amount of the 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% (2018: 20%). The growth rate used to extrapolate the cash flows beyond the five-year period is 0% (2018: 0%). 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 year ended 31 December 2019, impairment loss of approximately RMB5,243,000 was recognised in other gain or loss, net (2018: Nil).

15. Investments in equity instruments designated at fair value through other comprehensive income

Investments in equity instrument designated at FVOCI comprise:

	2019 RMB'000	2018 RMB'000
Current assets		
Unlisted equity investments in the PRC, at fair value (Note)	–	647

Particulars of the unlisted equity instruments in the PRC are shown as follows:

Shareholding held by the Group

Name of the company	Principal business	2019 %	2018 %
Shenyang Zhengmei Automobile Glass Co., Ltd. ("Shenyang Zhengmei")	Sales and trading of automobile glass providing installation service of automobile glass	–	49.00

Note:

During the year ended 31 December 2019, the Group disposed of its entire equity interests in Shenyang Zhengmei at a consideration of approximately RMB679,000, the cumulative gain upon disposal was approximately RMB32,000. Management had irrevocably designated the investment on its initial recognition at fair value through other comprehensive income as management considered the investment to be strategic in nature but disposed during the year as the performance of investment was fall short of management's expectation.

16. Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Finance lease receivables comprises:				
Within one year	**86,206**	51,204	**79,350**	40,277
In more than one year but no more than five years	**21,974**	67,975	**19,097**	64,315
	108,180	119,179	**98,447**	104,592
Less: Unearned finance income	**(9,733)**	(14,587)	**–**	–
Present value of minimum lease payments	**98,447**	104,592	**98,447**	104,592
Less: Impairment loss allowance				
– Lifetime ECLs allowance	**(8,970)**	(5,488)	**(8,970)**	(5,488)
	89,477	99,104	**89,477**	99,104

	2019	2018
	RMB'000	RMB'000
Analysis for reporting purpose as:		
Current assets	**71,645**	37,734
Non-current assets	**17,832**	61,370
	89,477	99,104

The Group's finance lease receivables are denominated in RMB. The effective rates of the finance leases as at 31 December 2019 range from 12.38% to 14.30% (2018: 12.38% to 13.18%) 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 2019, the customers' deposits of RMB4,650,000 (2018: RMB4,000,000) 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.

16. Finance lease receivables *(Continued)*

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.

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 2019 are categorised based on the internal crediting rating and the estimated loss rate of 4.67% to 12.00% (2018: 2.49% to 8.24%) is applied. Accordingly, a loss allowance of approximately RMB3,482,000 (2018: approximately RMB5,488,000) was recognised in profit or loss during the year.

17. Inventories

	2019 **RMB'000**	2018 RMB'000
Work-in-progress	**235**	2,237
Finished goods	**28,042**	32,281
Total	**28,277**	34,518

Cost of inventories recognised as expense in "cost of sales" amounted to approximately RMB51,565,000 for the year ended 31 December 2019 (2018: approximately RMB56,129,000) (Note 8).

During the year ended 31 December 2019, provision for obsolete inventories amounted to approximately RMB6,923,000 (2018: Reversal of obsolete inventories of approximately RMB902,000) was recognised in "cost of sales".

18. Trade and other receivables

	2019 RMB'000	2018 RMB'000
Trade receivables	**9,594**	21,054
Prepayments (Note)		
– Third parties	**846**	4,011
Deposits and other receivables (Note)		
– Third parties	**1,171**	1,697
– Related parties (Note 35(b))	**25**	25
	11,636	26,787

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

	2019 RMB'000	2018 RMB'000
Prepayments		
Advances to suppliers	**84**	709
Prepayments for rental	**295**	2,145
Others	**467**	1,157
	846	4,011
Deposits and other receivables		
Rental and utility deposits	**533**	981
Amount due from non-controlling interests (Note 35(b))	**25**	25
Others	**638**	716
	1,196	1,722

18. Trade and other receivables *(Continued)*

Majority of the Group's revenue are with credit terms of 0 to 150 days (2018: 0 to 150 days) and ageing analysis of the trade receivables at 31 December 2019 and 2018, based on invoice date is as follows:

	2019	2018
	RMB'000	RMB'000
0 – 30 days	**5,464**	11,845
31 – 60 days	**2,378**	3,825
61 – 90 days	**875**	2,991
Over 90 days	**877**	2,393
Total	**9,594**	21,054

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

	2019	2018
	RMB'000	RMB'000
RMB	**11,257**	26,128
HK$	**323**	605
United States Dollars ("USD")	**56**	54
	11,636	26,787

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. Further details on the Group's credit policy and credit risk arising from trade and other receivables are set out in Note 34.1(c).

19. Cash and cash equivalents

	2019 RMB'000	2018 RMB'000
Cash on hand	**531**	428
Cash at banks	**19,680**	27,694
Total	**20,211**	28,122

Cash and bank balances are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**19,605**	27,424
HK$	**606**	698
Total	**20,211**	28,122

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.

20. Share capital

	2019		2018	
	Number of shares	**RMB'000**	Number of shares	RMB'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January and 31 December	**1,560,000,000**	**13,016**	1,560,000,000	13,016
Issued and fully paid:				
As at 1 January	**793,200,000**	**6,372**	779,250,000	6,257
Issuance of new shares (Note)	**–**	**–**	13,950,000	115
At 31 December	**793,200,000**	**6,372**	793,200,000	6,372

Note:

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.

21. Reserves

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 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

21. Reserves *(Continued)*

The reserves of the Group as at 31 December 2019 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)	General reserve RMB'000 (Note d)	FVOCI reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	315,864	(47,484)	9,744	–	(435)	647	(60,812)	217,524
Loss for the year	–	–	–	–	–	–	(31,311)	(31,311)
Other comprehensive income								
Currency translation differences	–	–	–	–	–	(66)	–	(66)
Disposal of investments in equity instruments designated at FVOCI	–	–	–	–	435	–	(403)	32
Total comprehensive income	–	–	–	–	435	(66)	(31,714)	(31,345)
Transactions with equity owners of the Company recognised directly in equity								
Acquisition of additional interest in subsidiaries	–	–	–	396	–	–	–	396
Appropriation to PRC statutory reserves	–	–	385	–	–	–	(385)	–
Balance at 31 December 2019	315,864	(47,484)	10,129	396	–	581	(92,911)	186,575

21. 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)	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

21. Reserves *(Continued)*

The reserves of the Company as at 31 December 2019 are analysed as follows:

	The Company Attributable to owner of the Company				
	Share premium RMB'000 (Note a)	Capital reserve RMB'000 (Note b)	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance as at 1 January 2019	**315,864**	**2,999**	**13,011**	**(211,814)**	**120,060**
Loss for the year	–	–	–	(1,600)	(1,600)
Other comprehensive income					
Currency translation differences	–	–	40	–	40
Total comprehensive income	–	–	40	(1,600)	(1,560)
Balance at 31 December 2019	**315,864**	**2,999**	**13,051**	**(213,414)**	**118,500**

(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.

(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.

In 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.

In 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.

21. Reserves *(Continued)*

(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) General reserve

The general reserve represents the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company regarding the changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries.

22. Trade and other payables

	2019 **RMB'000**	2018 RMB'000
Trade payables	**1,723**	1,101
Other payables		
– Value-added tax payables	**1,314**	2,716
– Salary payables	**3,322**	6,468
– Receipts in advance (Note a)	**–**	1,410
– Other payables and accruals (Note b)	**2,910**	3,239
Total	**9,269**	14,934

Credit terms granted by suppliers are generally within 60 days (2018: 60 days).

Notes:

(a) Receipts in advance is classified as a contract liability, among which at the beginning of the year, approximately RMB732,000 (2018: approximately RMB339,000) were recognised as revenue in the current reporting period.

(b) As at 31 December 2019, accrued audit fee of approximately RMB1,296,000 (2018: approximately RMB1,960,000) and other payables for government grant of RMB1,000,000 (2018: RMB1,000,000) were included in other payables and accruals.

22. Trade and other payables *(Continued)*

Ageing analysis of trade payables at 31 December 2019 and 2018 based on invoice date is as follows:

	2019 RMB'000	2018 RMB'000
Current	**340**	162
0 – 30 days	**901**	411
31 – 60 days	**341**	258
61 – 90 days	**36**	90
Over 90 days	**105**	180
Total	**1,723**	1,101

Trade and other payables are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**6,526**	12,224
HK$	**2,729**	2,703
USD	**14**	7
Total	**9,269**	14,934

23. Bank borrowings

As at 31 December 2018, the bank borrowings was unsecured, carrying interest at the rate of Loan Prime Rate plus 2.23% per annum and repayable within one year. The bank borrowings was repaid on 20 July 2019.

24. Deposits received from finance lease customers

The balances represented security pledged by the customers to the Group for the corresponding finance leases. The amounts 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.

25. Loan from a shareholder

As at 31 December 2019, the balance was unsecured, carrying interest rate at 2% per annum and repayable within one year.

26. Deferred tax assets

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

	2019 RMB'000	2018 RMB'000
Deferred tax assets:		
– to be settled after more than 12 months	**1,781**	1,614
– to be settled within 12 months	**668**	866
	2,449	2,480
Deferred tax liabilities:		
– to be settled within 12 months	**(532)**	(559)
	(532)	(559)
Deferred tax assets, net	**1,917**	1,921

Movements on the deferred tax account are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of year	**1,921**	(326)
(Charged)/Credited to the profit or loss (Note 11)	**(4)**	2,247
At the end of year	**1,917**	1,921

26. Deferred tax assets *(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	Total RMB'000
At 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**
Charged to the profit or loss (Note 11)	**–**	**–**	**–**	**27**	**(31)**	**–**	**(4)**
At 31 December 2019	**164**	**(185)**	**–**	**(347)**	**913**	**1,372**	**1,917**

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 2019, the Group had unused tax losses of approximately RMB72,702,000 (2018: approximately RMB60,042,000) which are available to set off against future profits up to and including year 2024 (2018: year 2023). 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 2019, deferred tax liabilities of approximately RMB5,782,000 (2018: approximately RMB3,964,000) 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. Lease liabilities

The Group leases various offices, warehouses and retail store for its operations. Lease contracts are entered into for term of 1 year to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2019, the Group did not enter into any lease that is not yet commenced.

The present value of future lease payments of the Group's leases are analysed as:

	2019 RMB'000
Current	3,188
Non-current	6,286
	9,474

Movement of the Group's lease liabilities is analysed as follows:

	2019 RMB'000
At 1 January 2019	5,579
Additions	6,945
Interest expense	514
Interest element of lease payment	(514)
Capital element of lease payment	(3,050)
At 31 December 2019	9,474

27. Lease liabilities *(Continued)*

The future lease payments of the Group's leases (excluding short-term leases) were scheduled to repay as follows:

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
At 31 December 2019			
Not later than one year	**3,826**	**638**	**3,188**
Later than one year but not later than two years	**2,231**	**389**	**1,842**
Later than two years but not later than five years	**4,972**	**528**	**4,444**
	11,029	**1,555**	**9,474**

	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
At 1 January 2019			
Not later than one year	1,192	342	850
Later than one year but not later than two years	1,688	311	1,377
Later than two years but not later than five years	3,865	513	3,352
	6,745	1,166	5,579

	2019 RMB'000
Short term lease expense	**4,340**
Low value lease expense	**15**
Aggregate undiscounted commitments for short term leases	**179**
Aggregate undiscounted commitments for low value leases	**23**

28. Disposals of subsidiaries in 2018

During the year ended 31 December 2018, the Group's disposals of subsidiaries were as follows:

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

29. 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 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 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.

29. Share award scheme *(Continued)*

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	
	2019	2018	**2019**	2018
At the beginning of the year	–	26,690,000	–	13,890,000
Forfeited (Note)	–	–	–	(9,220,000)
Vested	–	(4,670,000)	–	(4,670,000)
Disposal of award shares held upon termination of share award scheme	–	(22,020,000)	–	–
At the end of the year	–	–	–	–

Note: As at 31 December 2018, 9,220,000 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 consolidated statement of profit or loss and other comprehensive income.

During the year ended 31 December 2018, reversal of equity-settled share-based payment expenses of approximately RMB2,550,000 has been recognised by the Group as staff costs in profit or loss.

30. Operating lease commitment

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000
Within 1 year	8,621
After 1 year but within 5 years	7,034
Over 5 years	1,233
Total	16,888

The Group leased certain shops and office properties under operating leases. The lease terms were ranging from one to six 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 had escalation clauses and rent-free periods.

31. Dividends

No dividend has been paid or declared by the Company during the year (2018: Nil).

The directors do not recommend for payment of a final dividend for the year (2018: Nil).

32. Notes supporting cash flow statement

(a) Cash and cash equivalents comprise:

	2019	2018
	RMB'000	RMB'000
Cash available on demand	**20,211**	28,122

(b) Reconciliation of liabilities arising from financing activities:

	Bank borrowings	Loan from a shareholder	Amount due to a director
	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	–	92
Changes from cash flows:			
Proceeds from bank borrowings and loan from a shareholder	3,400	17,742	–
Repayment of bank borrowings and loan from a shareholder	(1,400)	(18,845)	–
Repayment to a director	–	–	(92)
	2,000	(1,103)	(92)
Exchange adjustments	–	1,103	–
At 31 December 2018	2,000	–	–

32. Notes supporting cash flow statement *(Continued)*

(b) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Bank borrowings RMB'000	Loan from a shareholder RMB'000	Lease liabilities RMB'000
At 1 January 2019	2,000	–	–
Initial application of HKFRS 16 (Note 2(a))	–	–	5,579
Changes from cash flows:			
Proceeds from loan from a shareholder	–	16,291	–
Repayment of bank borrowings	(2,000)	–	–
Repayment of loan from a shareholder	–	(15,851)	–
Repayment of capital element of lease liabilities	–	–	(3,050)
Total changes from financing cash flows	(2,000)	440	(3,050)
Exchange adjustments	–	7	–
Other changes			
Additions	–	–	6,945
Total other changes	–	–	6,945
At 31 December 2019	–	447	9,474

33. Summary of financial assets and financial liabilities by category

The Group's financial assets and liabilities include the following:

	2019 **RMB'000**	2018 RMB'000
Financial assets		
Investments in equity instruments designated at FVOCI	**–**	647
Financial assets at amortised cost:		
Trade and other receivables	**10,790**	22,776
Finance lease receivables	**89,477**	99,104
Cash and cash equivalents	**20,211**	28,122
	120,478	150,649
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**7,955**	10,808
Lease liabilities	**9,474**	–
Deposits received from finance lease customers	**4,459**	3,667
Bank borrowings	**–**	2,000
Loan from a shareholder	**447**	–
	22,335	16,475

33. 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 trade and other receivables, finance lease receivables, cash and cash equivalents, trade and other payables, lease liabilities, deposits received from finance lease customers, bank borrowings and loan from a shareholder.

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

34. Financial risk management objectives and policies

34.1 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 2019, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, pre-tax loss for the year would have been approximately RMB90,000 lower/higher (2018: approximately RMB69,000) 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.

Cash and cash equivalents

As at 31 December 2019, 10% (2018: 16%) 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 2019, the Group transferred majority of the Group's bank balances to financial institutions located in the PRC with a minimum rating of "A-" (2018: 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.

34. Financial risk management objectives and policies *(Continued)*

34.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

Trade receivables

Trade receivables of the Group as at 31 December 2019 and 2018 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.

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 2019, the Group had a concentration of credit risk given that the largest debtor accounted for 20% (2018: 17%) 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.

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.

The Group measures loss allowance for trade receivables based on lifetime ECLs. No impairment allowance was provided as management considered that there has not been a significant change in credit quality based on historical experience and the impairment allowance has no significant financial impact on the Group's trade receivables as at 31 December 2019 and 2018.

Other receivables

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.

34. Financial risk management objectives and policies *(Continued)*

34.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

Finance lease receivables

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-mentioned, substandard, doubtful and loss, of which substandard, doubtful and loss loans are regarded as non-performing loans.

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.

34. Financial risk management objectives and policies *(Continued)*

34.1 Financial risk factors *(Continued)*

(c) Credit risk (Continued)

Finance lease receivables (Continued)

The Group measures loss allowance for finance lease 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
31 December 2019							
Expected loss rate		**4.67%**	**12.00%**	–	–	–	–
Provision	RMB'000	**1,812**	**7,158**	–	–	–	**8,970**
Net receivables	RMB'000	**36,983**	**52,494**	–	–	–	**89,477**
31 December 2018							
Expected loss rate		2.49%	8.24%	–	–	–	–
Provision	RMB'000	1,356	4,132	–	–	–	5,488
Net receivables	RMB'000	53,085	46,019	–	–	–	99,104

The Group measures loss allowance for finance lease receivables based on lifetime ECLs. Management considered that there has not been a significant change in credit quality based on historical experience. Loss allowance of approximately RMB3,482,000 (2018: approximately RMB5,488,000) was recognised during the year ended 31 December 2019. The change in loss allowance account was due to increase of expected loss rate. Movement in the loss allowance account in respect of finance lease receivables during the year is as follows:

	2019 **RMB'000**	2018 RMB'000
Balance at 1 January	**5,488**	–
Loss allowance for the year	**3,482**	5,488
Balance at 31 December	**8,970**	5,488

34. Financial risk management objectives and policies *(Continued)*

34.1 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 both 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 one year or on demand RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Total RMB'000
At 31 December 2019				
Trade and other payables	**7,955**	**–**	**–**	**7,955**
Loan from a shareholder	**447**	**–**	**–**	**447**
Lease liabilities	**3,826**	**2,231**	**4,972**	**11,029**
Deposits received from finance lease customers	**1,870**	**2,632**	**148**	**4,650**
	14,098	**4,863**	**5,120**	**24,081**
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

34.2 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.

35. Related party transactions

During the year ended 31 December 2019, the directors are of the view that related parties of the Group include the following parties:

Name of party	Relationship
Shareholders:	
Lu Yu	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）投資管理有限公司	Non-controlling shareholder of the Group
Mr. Zhang Renzhe	Non-controlling shareholder of the Group
Mr. Cao Kenan	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
深圳市信義易車汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass
信義易車汽車玻璃有限公司	Fellow subsidiary of Xinyi Glass
信義汽車部件（蕪湖）有限公司	Fellow subsidiary of Xinyi Glass
Directors:	
Mr. Xia Xiufeng (Chairman) (Note (i))	Director of the Company
Mr. Liu Mingyong	Director of the Company
Mr. Lo Chun Yim (Note (ii))	Director of the Company
Mr. Jiang Bin	Director of the Company
Mr. Guo Mingang (Note (iii))	Director of the Company
Mr. Lu Yongmin	Director of the Company
Mr. Luo Wenzhi	Director of the Company
Mr. Wang Liang (Note (iv)	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

35. Related party transactions *(Continued)*

Notes:

(i) 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.

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

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

(iv) Mr. Wang Liang was appointed as Independent Non-Executive Director of the Company on 17 June 2019.

(a) Transactions with related parties

	2019 **RMB'000**	2018 RMB'000
Sales of inventories to fellow subsidiaries of Xinyi Glass	**372**	84
Purchases of inventories from fellow subsidiaries of Xinyi Glass (Note)	**6,066**	11,902
Sales of inventories to a related company	**–**	521
Loan interest expense payable to a substantial shareholder	**14**	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.

35. Related party transactions *(Continued)*

(b) Balances with related parties

	2019 RMB'000	2018 RMB'000
Amount due from non-controlling interests (Note (i))	**25**	25
Loan from a shareholder (Note (ii))	**(447)**	–

Notes:

(i): The amount due is unsecured, interest free and repayable on demand.

(ii): The amount due is unsecured, carrying at interest rate of 2% per annum and repayable within one year.

(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 a director

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**–**	124
Repayment to a director	**–**	(124)
At the end of the year	**–**	–

36. Company level statement of financial position

	Notes	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		**140,928**	140,928
Current assets			
Prepayments and other receivables		**219**	294
Amount due from subsidiaries		**7,924**	5,938
Cash and cash equivalents		**93**	160
		8,236	6,392
Total assets		**149,164**	147,320
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	**6,372**	6,372
Reserves	21	**118,500**	120,060
		124,872	126,432
Current liabilities			
Other payables and accruals		**2,006**	2,319
Amount due to subsidiaries		**21,539**	18,569
Loan from a shareholder		**447**	–
Tax payables		**300**	–
		24,292	20,888
Total liabilities		**24,292**	20,888
Total equity and liabilities		**149,164**	147,320
Net current liabilities		**(16,056)**	(14,496)
Total assets less current liabilities		**124,872**	126,432

On behalf of the directors

Xia Xiufeng
Director

Lo Chun Yim
Director

37. Investments in subsidiaries

Particulars of the principal subsidiaries as at 31 December 2019 and 2018 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 2019	Equity interest held by the Company 2018	Principal activities
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 ("**ZM Leasing**")	Tianjin, the PRC, limited liability company	RMB16,707,308	**100%**	100%	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

37. 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		Principal activities
			2019	2018	
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（橫琴）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
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

37. 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 2019	Equity interest held by the Company 2018	Principal activities
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	RMB3,000,000	**99.9%**	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	RMB1,000,000	**99.9%**	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.

Interests in subsidiaries represent 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).

38. 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 then 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 then 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 over 4 years since 12 November 2015. Management has consulted legal advisor in Hong Kong in response to the Originating Summons. The directors have thoroughly revisited the situation based on the advice of Hong Kong legal advisor 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 2019 and 2018.

39. Event after the reporting date

(a) On 22 January 2020, ZM Leasing, a direct wholly-owned subsidiary of the Company, entered into the lease agreement with Heilongjiang Jiansanjiang Nongken Jiuzhou Fangyuan Biomass New Material Co., Ltd ("Heilongjiang Jiansanjiang"), pursuant to which ZM Leasing agreed to provide finance lease to Heilongjiang Jiansanjiang by way of sale and leaseback the lease assets to Heilongjiang Jiansanjiang at a consideration of RMB25,000,000.

For details, please refer to the announcement of the Company dated 22 January 2020.

(b) On 21 February 2020, ZM Leasing, a direct wholly-owned subsidiary of the Company, entered into a lease agreement with Jianping Xian Xingwo Biomass New Material Co., Ltd ("Jianping"), a company established in the PRC with limited liability, pursuant to which ZM Leasing agreed to provide finance lease to Jianping by way of sale and leaseback the leased assets to Jianping at a consideration of RMB6,000,000.

For details, please refer to the announcement of the Company dated 21 February 2020.

(c) On 10 March 2020, Xinyi Glass Holdings Limited and its subsidiaries ("Xinyi Group") entered into an agreement with Beijing Zhengmei Fengye Automobile Service Co., Ltd, an indirect wholly-owned subsidiary of the Company, to continue the supply of the automobile glass to the Group for the year ending 31 December 2020.

For details, please refer to the announcement of the Company dated 10 March 2020.

(d) Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Up to the date of these financial results, COVID-19 has not resulted in material impact to the Group. Pending on the development and spread of COVID-19 subsequent to the date of these financial results, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial results. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

40. Approval of financial statements

The consolidated financial statements for the year ended 31 December 2019 were approved and authorised for issue by the directors on 23 March 2020.

Five-Year Financial Summary

The audited results of the Group for the years ended 31 December 2019, 2018, 2017, 2016 and 2015 and the audited assets, liabilities and non-controlling interests of the Group as at 31 December 2019, 2018, 2017, 2016 and 2015 are those set out in the published financial statements for the years ended 31 December 2019, 2018, 2017, 2016 and 2015, respectively.

RESULTS

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**102,194**	175,878	171,721	131,245	131,193
(Loss)/Profit before income tax	**(30,351)**	30,441	23,537	(63,181)	(94,982)
Income tax (expense)/credit	**(1,777)**	(7,557)	(11,478)	2,656	5,001
(Loss)/Profit for the year	**(32,128)**	22,884	12,059	(60,525)	(89,981)
Attributable to:					
Owners of the Company	**(31,311)**	22,283	11,013	(60,161)	(89,484)
Non-controlling interests	**(817)**	601	1,046	(364)	(497)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	**217,188**	254,196	233,388	146,268	213,873
Total liabilities	**(24,409)**	(28,455)	(38,203)	(16,110)	(22,588)
Non-controlling interests	**(168)**	1,845	1,244	(3,262)	(3,626)

The summary above does not form part of the audited consolidated financial statements.