Xinyi Automobile Glass Hong Kong Enterprises Limited
信 義 汽 車 玻 璃 香 港 企 業 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08328)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

*This announcement, for which the directors (the "**Directors**") of Xinyi Automobile Glass Hong Kong Enterprises Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board (the "**Board**") of Directors of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**" or "**Xinyi Hong Kong**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
	Notes	**2017**	2016
		HK$'000	*HK$'000*
Revenue	3	**110,305**	49,320
Cost of revenue	5	**(86,321)**	(35,229)
Gross profit		**23,984**	14,091
Other income	4	**5,600**	1,219
Other (losses)/gains, net	4	**(497)**	508
Selling and marketing costs	5	**(4,352)**	(3,177)
Administrative expenses	5	**(11,659)**	(11,155)
Operating profit		**13,076**	1,486
Finance income	6	**94**	61
Finance costs	6	**(95)**	—
Profit before income tax		**13,075**	1,547
Income tax expense	7	**(3,687)**	(1,484)
Profit for the year		**9,388**	63
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**7,475**	(1,946)
Change in the fair value of available-for-sale financial asset, net of tax		**4,178**	—
		11,653	(1,946)
Total comprehensive income/(loss) for the year attributable to owners of the Company		**21,041**	(1,883)
Basic and diluted earnings per share (HK cents per share)	8	**1.74**	0.01

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Plant and equipment		**95,655**	68,479
Leasehold land		**8,581**	8,881
Available-for-sale financial asset		**8,641**	—
Prepayments for plant and equipment	10	**1,580**	1,880
		114,457	79,240
Current assets			
Inventories		**42,503**	9,869
Trade receivables, other receivables and prepayments	10	**47,995**	11,557
Cash and cash equivalents		**39,498**	42,688
		129,996	64,114
Total assets		**244,453**	143,354
EQUITY			
Equity attributable to owners of the Company			
Share capital		**5,401**	5,401
Reserves		**118,005**	96,935
Total equity		**123,406**	102,336
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**1,588**	172
Current liabilities			
Trade and other payables	11	**61,867**	39,318
Current income tax liabilities		**2,592**	1,528
Bank borrowings	12	**55,000**	—
		119,459	40,846
Total liabilities		**121,047**	41,018
Total equity and liabilities		**244,453**	143,354

NOTES:

1 General information

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

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

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

These consolidated financial statement are presented in thousands of units of Hong Kong dollars ("**HK$'000**") unless otherwise stated.

2 Basis of preparation

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

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amended standards adopted by the Group:

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

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

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

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

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

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

3 Segment information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 Other income and other (losses)/gains, net

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

Note:

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

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

5 Expenses by nature

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

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

6 Finance income and costs

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

Note:

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

7 Income tax expense

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

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

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

8 Earnings per share

(a) Basic

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

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

(b) Diluted

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

9 Dividend

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

10 Trade and other receivables

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

Notes:

(a) Trade receivables

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

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

(b) Bills receivables

The maturity dates of bills receivables are within 6 months.

11 Trade and other payables

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

(a) Trade payables

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

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

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

12 Bank borrowings

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

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

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

During the year, the Group has subscribed for 18% equity interests in Xinyi Wind Power (Jinzhai) Company Limited (金寨信義風能有限公司) ("**Xinyi Wind**") and started the provision of wind farm management services to Xinyi Wind. The equity investment is recorded as available-for-sale financial asset and measured at fair value at year end. The Directors consider that this is a high-growth business segment and would continue to explore wind-power related projects.

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

FINANCIAL REVIEW

Revenue

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

Revenue — by segment

	Year Ended 31 December					
	2017		2016		**Increase**	
	HK$' million	***%***	*HK$'million*	*%*	***HK$'million***	***%***
Sale of automobile glass with installation and repair services	**50.7**	**45.9**	49.3	100	**1.4**	**2.8**
Sales of lithium battery products	**27.2**	**24.7**	—	—	**27.2**	**N/A**
Trading of forklift	**31.9**	**28.9**	—	—	**31.9**	**N/A**
Wind farm related business	**0.5**	**0.5**	—	—	**0.5**	**N/A**
Total revenue	**110.3**	**100**	49.3	100	**61.0**	**123.7**

Revenue — by geographical markets

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

Cost of revenue and gross profit

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

Other income

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

Other (losses)/gains, net

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

Selling and administrative expenses

Selling and administrative expenses for the year ended 31 December 2017 was HK$16 million in aggregate (2016: HK$14.3 million) representing an increase of HK$1.7 million or 11.9%. Excluding the expenses for the Listing of nil (2016: HK$5.0 million), the selling and administrative expenses for the year ended 31 December 2017 was HK$16 million (2016: HK$9.3 million) representing an increase of HK$6.7 million or 72.0% which was mainly due to the increase in emoluments of HK$3.9 million paid to the staff and directors and increase in expenses incurred for audit and professional fees of HK$0.4 million.

Finance Costs

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

Income tax expenses

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

Profit before tax and net profit for the year

The Group recorded profit before tax for the year ended 31 December 2017 of HK$13.1 million (2016: HK$1.5 million). Excluding the listing expenses of nil (2016: HK$5.0 million) incurred and charged to profit and loss, the adjusted profit before tax for the year ended 31 December 2017 was HK$13.1 million (2016: HK$6.5 million), representing an increase of HK$6.6 million as compared with last year. This was mainly attributable to the operating performance of the Group as analysed above.

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

Financial Resources and Liquidity

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

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

Capital Structure

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

Capital Expenditures and Commitments

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

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

Pledge of Assets

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

Employee and Remuneration Policies

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

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

Final Dividend

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

Treasury Policies and Exposure to Fluctuations in Exchange Rates

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

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

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

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

Comparison of Business Objectives with Actual Business Progress

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

Business strategies up to 31 December 2017 as stated in the Prospectus	Implementation plan	Actual business progress up to 31 December 2017
Improvement in customer service facilities and service quality	— Renovate our Tokwawan and Tsuen Wan service centres.	The Group has renovated its Tokwawan and Tsuen Wan service centres.
	— Provide on-the-job training to our technicians covering topics including technical skills involved in installation of vehicle glass, customer service skills and workplace safety.	The Group has from time to time provided on-the-job training on topics including technical skills, customer service skills and work safety to our technicians.
Sales and marketing	— Distribute marketing materials to customers. — Offer promotion activities and/or other special packages for our services to our customers. — Participate in major promotional events held by the relevant industry organisations.	The Group has from time to time distributed marketing materials to customers, offered promotion activities for our services to customers and participated in major promotional events held by relevant industry organisations.
	— Enter into business contracts with insurance companies to broaden our customer base and increase our revenue.	The Group has entered into six business contracts with insurance companies for the provision of vehicle glass repair services to the cars under their insurance coverage after the Listing Date and up to 31 December 2017.

Business strategies up to 31 December 2017 as stated in the Prospectus	Implementation plan	Actual business progress up to 31 December 2017
	— Web/mobile application promotion to encourage customers to arrange for the services online and web/mobile application hyperlinkage to selected insurance companies to streamline the claim process and enhance positive customer experience.	The Group has added a page in the company website to allow customers to place ordering request online.

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

Use of Proceeds from the Listing

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

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

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

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

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

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

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

Contingent Liabilities

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

Event after the Reporting Period

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

BUSINESS REVIEW

Proactive Marketing Strategies to Enhance and Diversify Customer Base

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

Increase in Service Capacity and Improvement in Customer Service Facilities

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

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

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

Strategic Expansion into Wind Power Business in the PRC

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

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

BUSINESS OUTLOOK

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles of the Corporate Governance Code (the "**CG Code**") as set forth in Appendix 15 to the GEM Listing Rules. The Directors will continue to review its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company. For the year ended 31 December 2017, the Company had complied with the applicable code provisions set forth in the CG Code.

AUDIT COMMITTEE

The Company established an audit committee of the Board (the "**Audit Committee**") on 25 June 2016 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group, nominate and monitor external auditors and provide advice and comments to the Board on matters related to corporate governance. The members of the Audit Committee include three independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, B.B.S., JP. Mr. WANG Guisheng is the chairman of the Audit Committee.

The audited consolidated financial statements of the Group for the year ended 31 December 2017 has been reviewed by the Audit Committee.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings concerning securities transaction set forth in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by directors for the year ended 31 December 2017.

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

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

COMPETING BUSINESS

During the year ended 31 December 2017, none of the Directors or the Controlling Shareholders or their respective associates (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete, either directly or indirectly, with the business of the Group or have any other conflicts of interests which any such person has or may have with the Group. Hence, the Deed of Non-Competition (as defined in the Prospectus) has been duly complied with.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this announcement, there is sufficient public float or not less than 25% of the Shares are in the hands of the public as required under the GEM Listing Rules.

PUBLICATION OF FINAL RESULTS

This announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the financial year ended 31 December 2017 containing all the information required by the GEM Listing Rules and other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

FIGURES IN PRELIMINARY ANNOUNCEMENT AGREED BY AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**Annual General Meeting**") will be held on or before 30 June 2018. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders on or about 31 March 2018.

By order of the Board
Xinyi Automobile Glass Hong Kong Enterprises Limited
Tan Sri Datuk TUNG Ching Sai
Chairman

Hong Kong, 23 February 2018

The English text of this announcement shall prevail over the Chinese text in case of inconsistencies.

As of the date of this announcement, the executive Directors are Ms. LI Pik Yung and Mr. CHAN Chi Leung, the non-executive Directors are Tan Sri Datuk TUNG Ching Sai (Chairman) and Mr. LEE Shing Kan, and the independent non-executive Directors are Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, B.B.S., JP.

The announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.hk for at least 7 days from the date of its posting and be posted on the website of the Company at www.xyglass.com.hk.