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 2018

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 2018, together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue	3	**170,428**	110,305
Cost of revenue	5	**(124,424)**	(86,321)
Gross profit		**46,004**	23,984
Other income	4	**5,177**	5,600
Other gains/(losses), net	4	**55,053**	(497)
Impairment loss on a financial asset		**(460)**	—
Selling and marketing costs	5	**(6,166)**	(4,352)
Administrative expenses	5	**(27,537)**	(11,659)
Operating profit		**72,071**	13,076
Finance income	6	**1,923**	94
Finance costs	6	**(532)**	(95)
Profit before income tax		**73,462**	13,075
Income tax expense	7	**(14,366)**	(3,687)
Profit for the year		**59,096**	9,388
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(10,788)**	7,475
Change in the fair value of available-for-sale financial asset, net of tax		**—**	4,178
Items that will not be subsequently reclassified to profit or loss:			
Change in the fair value of financial asset at fair value through other comprehensive income, net of tax		**5,761**	—
		(5,027)	11,653
Total comprehensive income for the year attributable to owners of the Company		**54,069**	21,041
			(Restated)
Basic and diluted earnings per share (HK cents)	8	**9.63**	1.69

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Plant and equipment		**97,286**	95,655
Leasehold land and land use right		**12,762**	8,581
Intangible asset		**4,063**	—
Financial asset at fair value through other comprehensive income		**14,084**	—
Available-for-sale financial asset		**—**	8,641
Prepayments for plant and equipment	10	**1,035**	1,580
		129,230	114,457
Current assets			
Inventories		**39,472**	42,503
Contract assets, trade receivables, other receivables and prepayments	10	**62,567**	47,995
Cash and cash equivalents		**213,887**	39,498
		315,926	129,996
Total assets		**445,156**	244,453
EQUITY			
Equity attributable to owners of the Company			
Share capital		**6,481**	5,401
Reserves		**369,993**	118,005
Total equity		**376,474**	123,406
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**406**	1,588
Current liabilities			
Contract liabilities, trade and other payables	11	**56,527**	61,867
Current income tax liabilities		**11,749**	2,592
Bank borrowings		**—**	55,000
		68,276	119,459
Total liabilities		**68,682**	121,047
Total equity and liabilities		**445,156**	244,453

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 are principally engaged in the business of the sales of automobile glass with installation and repairs services in Hong Kong, the production and sales of lithium battery products, production and sales of as well as provision of contract proessing services for battery pack and energy storage system in The People's Republic of China (the "**PRC**").

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

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

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 disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared on a historical cost convention, as modified by the revaluation of financial asset at fair value through other comprehensive income, which is measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs 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) New and amended standards, improvements and interpretation adopted by the Group:

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

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

Saved as disclosed in Note 2(c), the adoption of these new and amended standards, improvements and interpretation did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

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

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

		Effective for annual periods beginning on or after
Annual Improvements Project (Amendments)	Annual Improvements 2015-2017 Cycle	1 January 2019
HKAS 1 (Revised)	Presentation of Financial Statement	1 January 2020
HKAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019

		Effective for annual periods beginning on or after
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 3 (Amendments)	Business Combinations	1 January 2020
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
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	A date to be determined by the IASB

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

HKFRS 16 Leases

Nature of change

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

Impact

The standard will affect primarily the accounting for the Group's operating leases.

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

The Group expects that net profit after tax will decrease for 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows used in financing activities.

Mandatory application date/Date of adoption by the Group

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

(c) Changes in accounting policies

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

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

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

Consolidated balance sheet (extract)	31 December 2017 As originally presented	HKFRS 9	1 January 2018 Restated
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Financial asset at fair value through other comprehensive income	—	8,641	8,641
Available-for-sale financial asset	8,641	(8,641)	—
	8,641	—	8,641

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

(i) HKFRS 9 Financial Instruments

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

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

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

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

Equity investments previously classified as available for sale

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

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

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

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

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

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

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

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

(3) Impairment of financial assets

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

- contract assets and trade receivables
- deposits and other receivables

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

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

Contract assets and trade receivables

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

Deposits and other receivables

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

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

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

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

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

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

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

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

Production and sales of lithium battery products - The Group engaged in manufacturing business of lithium battery products in the PRC.

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

Other segments –

(a) Trading of forklift

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

(b) Wind farm related business

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

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

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

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

(a) Segment results

	Year ended 31 December 2018				
	Battery pack and energy storage system	**Production and sales of lithium battery products**	**Sales of automobile glass with installation and repair services**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue	**80,644**	**77,118**	**56,119**	**14,285**	**228,166**
Inter-segment revenue	**—**	**(57,738)**	**—**	**—**	**(57,738)**
Revenue from external customer	**80,644**	**19,380**	**56,119**	**14,285**	**170,428**
Timing of revenue recognition:					
– At a point of time	**51,281**	**19,380**	**56,119**	**12,500**	**139,280**
– Over time	**29,363**	**—**	**—**	**1,785**	**31,148**
	80,644	**19,380**	**56,119**	**14,285**	**170,428**
Cost of revenue	**(56,980)**	**(19,349)**	**(36,859)**	**(11,236)**	**(124,424)**
Gross profit	**23,664**	**31**	**19,260**	**3,049**	**46,004**
Depreciation charge of plant and equipment (note 5)	**1,151**	**7,715**	**1,318**	**19**	**10,203**
Amortisation charge (note 5)	**74**	**—**	**300**	**—**	**374**

	Year ended 31 December 2017				
	Battery pack and energy storage system	Production and sales of lithium battery products	Sales of automobile glass with installation and repair services	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	27,221	18,652	50,675	32,409	128,957
Inter-segment revenue	—	(18,652)	—	—	(18,652)
Revenue from external customer	27,221	—	50,675	32,409	110,305
Timing of revenue recognition:					
– At a point of time	27,221	—	50,675	31,869	109,765
– Over time	—	—	—	540	540
	27,221	—	50,675	32,409	110,305
Cost of revenue	(28,042)	—	(34,949)	(23,330)	(86,321)
Gross (loss)/profit	(821)	—	15,726	9,079	23,984
Depreciation charge of plant and equipment (note 5)	336	2,094	1,291	3	3,724
Amortisation charge (note 5)	—	—	300	—	300

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

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

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

	Battery pack and energy storage system	**Production and sales of lithium battery products**	**Others**	**Total**
2018				
Revenue from:				
- Entities under common control of a related party[(1)]	28%	—	2%	30%
- Customer A	11%	11%	—	22%
2017				
Revenue from:				
- Customer B	12%	—	—	12%
- Customer C	10%	—	—	10%

(1) It represents a group of entities under common control which are considered as a single customer.

(b)

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

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

(c) Segment assets and liabilities

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

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

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

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

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

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

(d) Assets and liabilities related to contract with customers

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

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

(i) Significant changes in contract assets and liabilities

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

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

(ii) Revenue recognised in relation to contract liabilities

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

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

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

Note:

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

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

5 Expenses by nature

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

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

6 Finance income and costs

	2018	2017
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**1,923**	94
Finance costs		
Interest on bank borrowings	**852**	489
Less: amounts capitalised (Note)	**(320)**	(394)
	532	95
	1,391	(1)

Note:

The capitalisation rate of 2.82% (2017: 2.59%) used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year.

7 Income tax expense

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

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

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

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

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

(b) Diluted

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

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

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

9 Dividend

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

10 Contract assets, trade receivables, other receivables and prepayments

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

Notes:

(a) Trade receivables

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

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

(b) Bills receivables

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

11 Contract liabilities, trade and other payables

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

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

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

12. Comparative figures

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Revenue — by segment

	Year Ended 31 December					
	2018		2017		Increase/(decrease)	
	HK$'million	*%*	*HK$'million*	*%*	HK$'million	%
Battery pack and energy storage system	**80.6**	**47.3**	27.2	24.7	53.4	196.3
Production and sales of lithium battery products	**19.4**	**11.4**	—	—	19.4	N/A
Sale of automobile glass with installation and repair services	**56.1**	**32.9**	50.7	45.9	5.4	10.7
Others:						
Trading of forklift	**12.5**	**7.3**	31.9	28.9	(19.4)	-60.8
Wind farm related business	**1.8**	**1.1**	0.5	0.5	1.3	260
Total revenue	**170.4**	**100.0**	110.3	100.0	60.1	54.5

Revenue — by geographical markets

	Year Ended 31 December					
	2018		2017		Increase	
	HK$'million	*%*	*HK$'million*	*%*	*HK$'million*	*%*
Mainland China	**114.3**	**67.1**	59.6	54.1	54.7	91.8
Hong Kong	**56.1**	**32.9**	50.7	45.9	5.4	10.7
	170.4	**100**	110.3	100	60.1	54.5

Cost of revenue and gross profit

Cost of revenue comprised of HK$57.0 million (2017: HK$28.0 million) arising from the battery pack and energy storage system business, HK$19.3 million (2017: Nil) arising from lithium battery business, HK$36.9 million (2017: HK$34.9 million) arising from the vehicle glass repairs and replacement business, HK$11.2 million (2017: HK$23.3 million) arising from others (trading of forklifts and wind farm related business).

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

Cost of revenue of vehicle glass repairs and replacement business increased by approximately 5.5% from HK$34.9 million for the year ended 31 December 2017 to approximately HK$36.9 million for the year ended 31 December 2018. The gross profit increased by 22.5% from approximately HK$15.7 million for the year ended 31 December 2017 to approximately HK$19.3 million for the year ended 31 December 2018. The increase in cost of revenue of 5.5% was lower than the percentage increase in revenue because the rental and the other overhead expenses (including labour costs) were generally stable.

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

Other income

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

Other gains/(losses), net

Other gains for the year ended 31 December 2018 includes mainly the gains from disposal of certain scrap or recyclable materials arising from the site preparation of the lithium battery production plant under construction (2017: from the operation of our existing lithium battery production plant) offset with exchange losses.

Expenses

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

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

Finance Costs

The Group's finance costs increased from HK$0.1 million (or HK$0.5 million before capitalisation) for the year ended 31 December 2017 to HK$0.5 million (or HK$0.9 million before capitalisation) for the year ended 31 December 2018. The increase was mainly attributable to 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$0.3 million (2017: HK$0.4 million) was capitalised into the construction costs of the lithium battery production facilities. The capitalised amounts would depreciate together with the relevant assets over their estimated useful lives.

Income tax expenses

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

Profit before tax and net profit for the year

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

The profit attributable to owners of the Company increased by 5.3 times from HK$9.4 million in 2017 to HK$59.1 million in 2018.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2018, the Group's primary source of funding included its own working capital, the net proceeds from the listing on GEM of the Stock Exchange on 11 July 2016 (the "**Listing Date**"), the net proceeds from the rights issue (the "**Rights Issue**") in May 2018 and bank borrowings. As at 31 December 2018, the Group had net current assets of HK$247.7 million (31 December 2017: HK$10.5 million) and cash and cash equivalents of HK$213.9 million (31 December 2017: HK$39.5 million) which were placed with major banks in Hong Kong and the PRC. As at 31 December 2018, the Group did not have any bank borrowings (31 December 2017: HK$55 million) and had unutilised banking facilities of HK$60 million (31 December 2017: HK$5 million).

Net debt gearing ratio was not applicable as at 31 December 2018 as the Group has no bank borrowing as at 31 December 2018. The Group's 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.

CAPITAL STRUCTURE

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

CAPITAL EXPENDITURES AND COMMITMENTS

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

Capital commitments contracted for but not incurred by the Group as at 31 December 2018 amounted to HK$1.9 million (31 December 2017: HK$6.2 million), which were mainly related to the purchase of various production plants and machinery for the lithium battery plant in the PRC from independent third parties under different independent contracts.

PLEDGE OF ASSETS

No assets of the Group were pledged as security for bank borrowings as at 31 December 2018 and 2017.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 269 (31 December 2017: 234) full-time employees of whom 213 (31 December 2017: 184) were based in the PRC and 56 (31 December 2017: 50) were based in Hong Kong. The Group maintains good relationships with all of its employees. It provides the employees with sufficient training in business and professional knowledge including information about the applications of the Group's products and skills in maintaining good customer relationships. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

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

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

The Group transacts mainly in HK$ and RMB. However, the Group retains some bank balances in HK$ in PRC which contributed to a foreign currency translation loss of approximately HK$0.8 million (2017: HK$0.6 million) as HK$ fluctuates against RMB during the year ended 31 December 2018.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. During the year ended 31 December 2018, the Group did not use any financial instrument for hedging purpose.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business strategies up to 31 December 2018 as stated in the Prospectus	Implementation plan	Actual business progress up to 31 December 2018
Expansion of service capacity	— Expand our Tokwawan service centre by renting one additional shop premises close to it.	The Group has rented one additional shop premises close to the existing Tokwawan service centre which is ready for use since August 2016.
	— Relocate our service centre in Quarry Bay to a larger size premises on the Hong Kong Island.	The Group has relocated its service centre on the Hong Kong Island from Quarry Bay to Chai Wan since September 2016.
	— Expand our motorcade service teams by acquiring new vehicles for providing door-to-door services.	The Group has acquired 2 new motor vehicles.
	— Hire additional technicians to increase our service capacity.	The Group has hired 7 additional technicians.
	— Develop mobile apps and online facility to allow online reservations and payments for our vehicle glass 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.
	— Set up a new service centre by purchasing shop premises in East Kowloon to expand our network of service centres.	The Group has not found a satisfactory shop premises and resolved to change the implementation plan. Please refer to the section headed"Use of proceeds from the Listing"for details.

Business strategies up to 31 December 2018 as stated in the Prospectus	Implementation plan	Actual business progress up to 31 December 2018
Improvement in customer service facilities and service quality	— Renovate our Tokwawan and Tsuen Wan service centres.	The Group has renovated its Tokwawan and Tsuen Wan service centres.
	— Provide on-the-job training to our technicians covering topics including technical skills involved in installation of vehicle glass, customer service skills and workplace safety.	The Group has from time to time provided on-the-job training on topics including technical skills, customer service skills and work safety to our technicians.
Sales and marketing	— Distribute marketing materials to customers. — Offer promotion activities and/or other special packages for our services to our customers. — Participate in major promotional events held by the relevant industry organisations.	The Group has from time to time distributed marketing materials to customers, offered promotion activities for our services to customers and participated in major promotional events held by relevant industry organisations.
	— Enter into business contracts with insurance companies to broaden our customer base and increase our revenue.	The Group has entered into seven business contracts with insurance companies for the provision of vehicle glass repair services to the cars under their insurance coverage after the Listing Date and up to 31 December 2018.

Business strategies up to 31 December 2018 as stated in the Prospectus	Implementation plan	Actual business progress up to 31 December 2018
	— Web/mobile application promotion to encourage customers to arrange for the services online and web/mobile application hyperlinkage to selected insurance companies to streamline the claim process and enhance positive customer experience.	The Group has added a page in the company website to allow customers to place ordering request online and added hyperlinkage to selected insurance companies.

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

USE OF PROCEEDS FROM THE LISTING

As part of the Listing, the Company issued 55,000,000 new shares at the offer price of HK$0.7 per share. The net proceeds received by the Company were HK$31.8 million after deducting the related expenses. The net proceeds have been applied for the purpose in accordance with the future plans and use of proceeds as set out in the Prospectus except for the change of the use of net proceeds stated in the announcement dated 27 July 2018.

During the period from the Listing Date to 31 December 2018, the net proceeds from the public offering had been applied as follows:

Proposed use of proceeds	Adjusted use of proceeds in the same manner and proportion as stated in the Prospectus (Note 1) *HK$'million*	Changed use of proceeds (Note 2) *HK$'million*	Actual usage *HK$'million*
Expansion of service capacity	28.4	5.8	5.8
Improvement in customer service facilities and service quality	1.3	1.3	1.3
Sales and marketing	1.4	1.4	1.4
Repayment of bank borrowings	—	22.6	22.6
General working capital	0.7	0.7	0.7
Total	31.8	31.8	31.8

Notes:

(*1*) This sum represents an aggregate amount of the planned use of proceeds from the Listing Date to 31 December 2018 as stated in the Prospectus being adjusted based on the amount of actual net proceeds in the same manner and proportion as shown in the Prospectus.

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

Use of Proceeds of Rights Issue

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

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

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

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

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

CONTINGENT LIABILITIES

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

EVENT AFTER THE REPORTING PERIOD

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

BUSINESS REVIEW

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

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

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

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

Vehicle Glass Repair and Replacement Business – Stable Revenue Growth Consolidates the Group's Business Foundation

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

BUSINESS OUTLOOK

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

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 2018, 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 2018 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 2018.

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

For the year ended 31 December 2018, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPETING BUSINESS

During the year ended 31 December 2018, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) 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 of the Company 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 2018 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 2018 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 15 May 2019. 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 2019.

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

Hong Kong, 22 February 2019

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 Mr. 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.