信義玻璃控股有限公司

XINYI GLASS HOLDINGS LIMITED *Since 1988*

(Incorporated in the Cayman Islands with limited liability)

Stock code: 00868.hk

ANNUAL REPORT 2018

Contents

Corporate Information

EXECUTIVE DIRECTORS

Dr. LEE Yin Yee, B.B.S. (Chairman) ø~<
Mr. TUNG Ching Bor (Vice Chairman)
Mr. TUNG Ching Sai (Chief Executive Officer) <ø
Mr. LEE Shing Kan

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai
Mr. SZE Nang Sze
Mr. LI Ching Leung
Mr. NG Ngan Ho

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu, S.B.S. # *+ <ø
Mr. WONG Chat Chor Samuel # <ø
Dr. WONG Ying Wai, G.B.S., JP # <ø
Mr. TRAN Chuen Wah, John #
Mr. TAM Wai Hung, David #

*	Chairman of audit committee
#	Members of audit committee
+	Chairman of remuneration committee
ø	Members of remuneration committee
~	Chairman of nomination committee
<	Members of nomination committee

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. LAU Sik Yuen, FCPA, AICPA

REGISTERED OFFICE

P.O. Box 1350 GT, Clifton House, 75 Fort Street
George Town, Grand Cayman, KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2101-2108, 21st Floor
Rykadan Capital Tower
135 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Squire Patton Boggs
29th Floor, Edingburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers, Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong)
Bank of East Asia
Citibank, N.A.
CTBC Bank (Hong Kong)
China Construction Bank
Credit Industriel et Commercial (Hong Kong Branch)
DBS Bank
First Abu Dhabi Bank
Hang Seng Bank
HSBC
Hua Nan Commercial Bank (Macau Branch)
Korean Development Bank Asia
Malayan Banking Berhad
Mizuho Bank
Nanyang Commercial Bank
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
Bank of China
Bank of Communications
Ping An Bank
China Citic Bank
Huishang Bank
Industrial and Commercial Bank of China
Industrial Bank
Shanghai Pudong Development Bank
State Bank of India (Hong Kong Branch)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
P. O. Box 1350 GT, Clifton House, 75 Fort Street
George Town, Grand Cayman, KY1-1108
Cayman Islands

WEBSITE

http://www.xinyiglass.com

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 00868
Listing date: 3 February 2005
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as at the date of this annual report: HK$9.70
Market capitalisation as at the date of this annual report: Approximately HK$38.7 billion

KEY DATES

Closure of register of members for the purpose of determining the entitlements to attend and vote at the Annual General Meeting: Thursday, 9 May 2019 to Wednesday, 15 May 2019 (both days inclusive)
Date of Annual General Meeting: Wednesday, 15 May 2019
Closure of register of members for the purpose of determining the entitlements to the final dividend: Tuesday, 21 May 2019 to Thursday, 23 May 2019
Proposed final dividend payable date: On or about Wednesday, 3 July 2019

Chairman's Statement

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Xinyi Glass Holdings Limited (the "**Company**"), I am pleased to announce the full-year audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 December 2018.

In comparison with 2017, the Group's turnover increased by about 8.7% to HK$16,014.5 million in 2018. The net profit attributable to equity holders of the Company from the continuing operation increased significantly by about 5.6% to HK$4,236.8 million in 2018. Basic earnings per share (the "**Share**") were 105.71 HK cents, as compared with 101.14 HK cents last year.

We are pleased with the results achieved by the Group in 2018 and propose payment of a final dividend of 27.0 HK cents per Share upon approval by the shareholders (the "**Shareholders**") at the forthcoming annual general meeting (the "**Annual General Meeting**").

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

THE DEVELOPMENT OF THE PRC GLASS INDUSTRY HAS BEEN INFLUENCED BY INDUSTRIAL, ENVIRONMENTAL AND MONETARY POLICIES AS WELL AS THE SINO-US TRADE WAR AND DEPRECIATION OF THE RMB

The growth of the PRC economy has slowed during the year ended 31 December 2018. The Group's operations in the automobile glass, architectural glass and float glass segments have faced a myriad of challenges. Nonetheless, the Group has managed to achieve moderately favorable operating results mainly due to the implementation of stringent controls over production costs, better variety of float glass products, new overseas contributions from the operation in Malaysia, and more effective marketing strategies for the architectural glass and automobile glass divisions.

The PRC property development market has experienced moderate growth while the construction sector has been operating under a more difficult environment owing to tighter funding liquidity as a result of the PRC government's de-leverage policy. Nevertheless, within the highly competitive energy-saving Low-E glass market of the PRC construction industry, the Group's architectural glass business has achieved a remarkable increase in sales volume due to its aggressive marketing strategy.

The float glass sector has experienced a gradual slowdown in demand during the second quarter and the end of the year due to tighter liquidity in funding and restrictive government policy towards the property market in the PRC. Positive developments for the Group include the launch of new product specifications for its double insulations and laminated insulation glass window structures for better heat retention and lamination to address higher safety standards for the architectural glass industry in the PRC, the introduction of a wider variety of float and specialty glass products and colour mix and the operation of the new float glass production lines in Malaysia. These favourable developments have contributed to a moderate increase in float glass sales during the year under review. At the same time, the stringent control of production cost and greater production efficiency management has contributed to sustain gross profit margin level of the Group's float glass sales.

In light of the Sino-US trade war and complex global market conditions, the Group has proactively implemented flexible marketing strategies for its automobile glass business, with the addition of new products for electric vehicles and value-added applications such as advanced driver assistance systems ("**ADAS**"), head-up display ("**HUD**"), sound proofing and sun roofs that are suitable for new car models. At the same time, the Group has been approaching new overseas customers and strengthening ties with existing customer base to explore opportunities to increase the sales volume of its new products. Currently, the Group's automobile glass products are sold in more than 140 countries around the world.

As one of the major players in the global glass industry, the Group has reinforced its market-leading position and enhanced its economies of scale through the timely and strategic expansion of production capacities across different product segments as well as the construction of new production complexes incorporating streamlined production processes at different locations both in the PRC and overseas. The Group has also implemented a series of measures enhancing control on the consumption of raw materials, re-cycling of principal raw materials, re-engineering of production flow to boost production efficiency and using solar power and low-temperature recycling residual heat to generate electricity and hot water for internal consumption. To maintain its competitiveness, the Group has successfully developed and launched a wide range of high value-added and specialty glass products while adopting proactive pricing and flexible marketing strategies to take advantage of the supportive measures implemented under the Thirteenth Five-Year Plan of the PRC government.

IMPROVED PRODUCTIVITY, TECHNOLOGY AND ECONOMIES OF SCALE FOR ENHANCING PRODUCTION EFFICIENCY

The Group's strength in production engineering, research and development and operational management, along with continuous improvements in production processes and, automation underpinned by well-planned equipment maintenance programs, have enhanced its productivity and yield, which, in turn, have reduced overall labour, production and energy costs during the year under review.

The Group's engineering and design division has developed world class larger capacity float glass production lines that are found in the PRC and overseas. The strategic clustering of production bases has resulted in the ability to derive greater economies of scale leading to significant savings in procurement costs, production and fixed costs and increased fuel efficiency in fuel consumption. To further control energy costs, the Group is harnessing clean environmentally-friendly energy through the use of rooftop solar power generation systems and low-temperature recycling residual heat power co-generation systems.

The Group is also using natural gas as fuel for the production of high quality float glass as this can reduce carbon emissions and this achieve better air quality, improve float glass quality and enhance the energy cost structure of the Group.

Chairman's Statement

EXPANSION OF HIGH VALUE-ADDED PRODUCT MIX AND GLOBAL COVERAGE WHICH ENHANCES OVERALL COMPETITIVENESS

During the year, the consolidated revenue generated from the Group's automobile glass, architectural glass and high-quality float glass businesses has achieved a satisfactory growth. This performance goes to prove that the combination of diversified business segments, global market coverage and expanded high value-added product mix are able to alleviate the operational pressure in any specific business segment or country despite volatility resulting from trade conflicts and competitive market environment.

BUSINESS OUTLOOK

The Group will continue to adopt flexible production and marketing strategies and raise the level of automation by employing advanced technologies at its facilities to further improve operational efficiency which in turn will allow it to maintain its competitive edge and leading position at in the global glass manufacturing industry.

The PRC government has continued to tighten the policy on building new float glass production lines and to phase out the obsolete and non-compliant float glass production lines in order to meet of higher emission standards. As a result, effective float glass production volume in the PRC increased slightly as compared to the same period in 2017 according to the PRC National Bureau of Statistics. The Group is embarking on prudent and flexible strategies in response to the current development the float glass market in the PRC and the global market.

The price of soda ash experienced a short term rise in May and June 2018 following a downward trend since December 2017. The price of soda ash subsequently declined again in the third quarter of 2018. The industry expects the price trend of soda ash to moderate in comparison with 2018. The Group's global network has sourced soda ash from different suppliers to mitigate price fluctuation as part of its contingency plan against the possible future rise. Thus, the Group believes its specialty float glass products mix has stronger competitiveness in the tough float glass market in 2019.

The positive development of Sino-US trade war negotiation would mitigate the pressure on the aftermarket automobile glass customers in the US as they mostly rely on the foreign supply from the PRC.

The PRC's new proactive monetary policy will add more funding to the market. It would help to ease the tightened liquidity market in 2018 and lead more construction activities. It would be positive to the demand of float glass and architectural glass businesses.

The Directors are nonetheless cautiously optimistic that the automobile glass business will continue to perform favorably in the global market and achieve increased sales in the energy-saving and single and double insulated Low-E glass segments in the future.

After years of expanding its production facilities along the coastal regions of the PRC, the Group is ready to explore acquisitions and more expansion opportunities overseas and in western PRC which can provide attractive and larger markets, lower production and energy costs, supply of natural resources, and offer favourable tax treatment and other incentives.

Furthermore, the Group is planning to support the PRC government's economic development plan in western China and has qualified under the foreign investment scheme in western China to build specialty float glass production lines in Guangxi Zhuang Autonomous Region. Thus, it plans to construct automobile glass production lines in the aforesaid region.

The acquisition of float glass production assets and a capacity permit in Zhangjiagang, Jiangsu province, further strengthens the Group's market coverage in the Eastern PRC.

The commencement of the operation of the Group's first float glass production line in Malaysia in May 2017 was its first overseas project. This milestone will pave the way for boosting the Group's its future growth in the region as well as facilitate specific transactions in the region while also reducing production costs.

Two high quality float glass production lines in its Phase Two project in Malacca, Malaysia had lighted up in late June and November 2018. The Group is also planning to build a Phase Three project in Malaysia. The future production lines will allow the Group to better serve ASEAN-based, as well as Indian, Korean and Taiwanese customers through the preferential import duties and appropriate pricing strategies as well as the shorter transport distance will also benefit customers from elsewhere in Asia.

The Group plans to build its first automobile glass production line in the South East Asia in order to supply the countries which have trade conflicts with the PRC.

The Group is also planning to expand its production network outside Asia. It plans to build new high quality float glass production lines in North America which will enable it to expand our product coverage in that region.

The Group will continue to ensure that adequate resources are allocated to research and development, enhance product quality and new product introduction, as well as for exploring new markets, boosting production efficiency and conducting staff training in order to maintain its competitiveness and, ultimately, boost its profitability.

Chairman's Statement

CONCLUSION

The Group will continue to tackle challenges amid unstable economic growth in the PRC and overseas by improving efficiency and increasing profitability through more effective management across all facets of operations and through marketing activities, as well as by expanding of its business and continuing to collaborate with customers and suppliers. The Directors believe that these approaches will enable the Group to fully capitalise on the benefits from the domestic, emerging market and overseas business opportunities. They are also optimistic about the Group's long-term business development prospects.

The Group will continue to adopt proven business strategies to sustain and strengthen growth with new business ideas. To maintain its industry-leading position, the Group will at the same time explore expanding its presence in the global glass market across a wider spectrum of industries, applications and products as well as other opportunities that lead to mutually beneficial for business partnerships.

Dr. LEE Yin Yee, B.B.S.
Chairman

25 February 2019

Management's Discussion and Analysis

INTRODUCTION

The Group is engaged in the production and sales of a wide range of glass products, including automobile glass, energy-saving architectural glass, high-quality float glass and other glass products for different commercial and industrial applications. These glass products are manufactured at production facilities strategically located in the PRC and Malaysia. In the former, the Group's facilities can be found in Shenzhen, Dongguan and Jiangmen in Guangdong Province, Wuhu in Anhui Province, Tianjin, Yingkou in Liaoning Province, and Deyang in Sichuan Province. In the latter, the Group operates a facilities in Malacca. In addition, the Group also produces rubber and plastic components for automobiles.

The Group's glass products are sold to customers in over 140 countries and territories, including the PRC, Hong Kong, the United States, Canada, Australia, New Zealand and countries in Asia, the Middle East, Europe, Africa, and Central and South America. Its customers include companies engaged in automobile glass manufacturing, wholesale and distribution, automobile repair, motor vehicle manufacturing, curtain wall engineering and installation, architectural and furniture glass manufacturing, electronic and household appliances manufacturing, and float glass wholesale and distribution.

BUSINESS REVIEW

The Group has continued to maintain its leading position in the global glass industry in 2018 by tapping the strong demand for high-quality float glass in the PRC and automobile glass in global markets. In 2018, revenue and net profit attributable to equity holders of the Company amounted to HK$16,014.5 million and HK$4,236.8 million, respectively, representing an increase of 8.7% and 5.6%, when compared with HK$14,727.5 million and HK$4,013.8 million, respectively in 2017. The compound annual growth rate of the Group's sales for the five-year period including 2018 was 10.2%.

In 2018, under the pressure of the Sino-US trade war, depreciation of RMB in second half of the year, and the de-leverage policy in the PRC, the Group's three glass products businesses, namely float glass, automobile glass and architectural glass, have achieved different growth rates by increase of their respective sales volumes.

Management's Discussion and Analysis

OPERATIONAL REVIEW

Sales

Sales increased by 8.7% in 2018, principally due to sales volume growth of float glass, automobile glass and architectural glass products in the PRC and global markets.

The tables below set forth the Group's sales by product and by geographical region:

	Financial Year Ended 31 December			
	2018		2017	
	HK$'million	%	HK$'million	%
By Product				
Float glass products	**8,424.4**	**52.6**	8,016.9	54.5
Automobile glass products *(Note (a))*	**4,251.9**	**26.6**	3,910.0	26.5
Architectural glass products	**3,338.2**	**20.8**	2,800.6	19.0
	16,014.5	**100.0**	14,727.5	100.0

Note:

(a) Included sales of automobile glass and automobile rubber and plastic components on an original equipment manufacturing ("**OEM**") basis and an aftermarkets basis.

	Financial Year Ended 31 December			
	2018		2017	
	HK$ million	%	HK$ million	%
By Geographical Region				
Greater China *(Note (a))*	**11,437.9**	**71.4**	10,774.4	73.2
North America	**1,621.7**	**10.1**	1,489.4	10.1
Europe	**510.4**	**3.2**	434.1	2.9
Others *(Note (b))*	**2,444.5**	**15.3**	2,029.6	13.8
	16,014.5	**100.0**	14,727.5	100.0

Notes:

(a) China and Hong Kong.

(b) Australia, New Zealand, Africa, the Middle East, Central America, South America and other countries.

Cost of Sales

Average production costs have increased mainly due to supply-side reform and environmental control policy implemented in the PRC during 2018. However, improved production efficiency, successful cost control measures and the use of cost-effective renewable energy have led to an increase in cost of sales in 2018 by 9.2% to HK$10,139.1 million, as compared with HK$9,283.4 million in 2017. As the increase in cost of sales was slightly higher than the increase in sales indicates that the management has been able to maintain profitability despite the challenging market environment.

Gross profit in 2018 was HK$5,875.4 million, representing an increase of 7.9%, as compared with HK$5,444.1 million in 2017. The overall gross profit margin has decreased from 37.0% to 36.7% principally due to the increase in energy and materials costs.

Other Income

Other income rose to HK$541.0 million, as compared with HK$387.4 million in 2017. The increase was mainly attributable to the rise in the government grants and sales of electricity in 2018.

Other Gains – Net

Net other gains amounted to HK$537.5 million in 2018, as compared with net other gains of HK$316.9 million in 2017. The upturn was principally due to greater foreign exchange gain.

The Group's selling and marketing expenses increased by 14.4% to HK$772.3 million in 2018, principally due to an increase in overseas transportation costs.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses rose by 19.3% to HK$1,634.8 million in 2018, which was mainly attributable to the rise in research and development expenses.

Finance Costs

The Group's finance costs rose 41.4% to HK$213.7 million in 2018 mainly due to an increase in bank borrowings and rise in HIBOR rate during the year. A portion of the interest expense incurred as construction-in-progress and acquisition of plant and machinery at the production complexes in Malaysia was capitalised under construction-in-progress and will be depreciated subsequently when the related production facilities and the new production lines commence commercial operation. An amount of interest expense of HK$45.3 million was capitalised under construction-in-progress in 2018, which was relatively stable when compared to the amount of HK$32.4 million in 2017.

Management's Discussion and Analysis

Income Tax Expense

The Group's income tax expense increased by 5.9% to HK$722.6 million in 2018. The effective tax rate maintained at 14.5%. The effective tax rate was lower than the standard tax rates mainly due to higher profits generated by subsidiaries that qualified for the preferential PRC high-tech enterprise CIT tax rate of 15% and the Malacca factory's qualification for Malaysia's investment tax allowance scheme.

Net profit attributable to equity holders of the Company was HK$4,236.8 million in 2018, representing an increase of 5.6%, as compared with HK$4,013.8 million in 2017. Net profit margin dipped slightly to 26.5% in 2018 primarily due to less profit shared from Xinyi Solar in 2018.

CURRENT RATIO

The Group's current ratio as at 31 December 2018 was 1.39, as compared with 1.54 as at 31 December 2017.

NET CURRENT ASSETS

As at 31 December 2018, the Group had net current assets of HK$2,599.8 million, as compared with HK$2,774.7 million as at 31 December 2017. The decline was in line with a decrease in the current ratio.

FINANCIAL RESOURCES AND LIQUIDITY

In 2018, the Group's primary source of funding included cash generated from its operating activities and the new banking facilities provided by its principal banks in Hong Kong and the PRC. Net cash inflow from operating activities amounted to HK$4,642.8 million (2017: HK$3,534.7 million) as a result of a moderate increase in net profit for the year and efficient working capital management which led to a net cash surplus from operations. As at 31 December 2018, the Group had cash and bank balances (including fixed deposits and pledged bank deposits) of HK$4,692.3 million (2017: HK$3,057.1 million).

BANK BORROWINGS

As at 31 December 2018, the Group's bank and other borrowings amounted to HK$9,969.4 million representing an increase of 17.8% when compared with a balance of HK$8,466.4 million as at 31 December 2017.

The Group's net debt gearing ratio as at 31 December 2018 was 28.2% (31 December 2017: 29.5%). This ratio was calculated by dividing the net bank debt, which is calculated as total borrowings less cash, bank balances and pledged bank deposits, by the total equity of the Group as at 31 December 2018.

CAPITAL STRUCTURE

The shares of the Company have been listed on the Main Board of the Stock Exchange since 3 February 2005. There is no material change in the capital structure of the Company since the Listing Date and up to the date of this report. The capital of the Company comprises only ordinary shares.

CAPITAL EXPENDITURE AND COMMITMENTS

The total capital expenditure incurred for the year ended 31 December 2018 was approximately HK$2,453.1 million (2017: HK$3,254.0 million), which was mainly used in purchase of property, plant and equipment and intangible assets. The Group has HK$909.1 million planned capital expenditures and capital commitments as of the end of the year ended 31 December 2018.

PLEDGE OF ASSETS

As at 31 December 2018, a bank balance of HK$14.1 million has been pledged as collateral principally for the import duties payable to the US government and for the standby letter of credit issued by a bank in the PRC.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 11,866 full-time employees of whom 11,237 were based in China and 629 were based in Hong Kong and other countries and territories. The Group maintains good relationship with all of its employees. It provides employees with sufficient training in business and professional knowledge including information about the applications of the Group's products and skills in maintaining good client relationship. Remuneration packages offered to the Group's employees are consistent with the prevailing markets terms and 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 administered by the responsible government authorities in the PRC for its employees there. 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 AND CLOSURE OF REGISTER OF MEMBERS

At the meeting of the board of Directors held on Monday, 25 February 2019, the Directors proposed a final cash dividend (the "**Final Dividend**") of 27.0 HK cents per share for the year ended 31 December 2018. The declaration and the payment of the Final Dividend are subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on or before Wednesday, 15 May 2019. If so approved by the shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 3 July 2019 to shareholders whose names appear on the register of members of the Company on Thursday, 23 May 2019.

The register of members of the Company will be closed from Tuesday, 21 May 2019 to Thursday, 23 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 20 May 2019.

Management’s Discussion and Analysis

TREASURY POLICIES AND EXPOSURE TO FLUCTUATIONS IN FOREIGN EXCHANGE RATES

The Group has adopted treasury policies for the purpose of optimising the use of readily-available financial resources for the business needs of its different subsidiaries. The Directors believe that such treasury policies are an integral part of the business operations of the Group and are beneficial to the Group as a whole by reducing the costs and interests that may otherwise be borne by its relevant subsidiaries in arranging the required banking facilities to meet obligations. For example, the Group has adopted a centralised approach in managing the funds available to its headquarters, subsidiaries and branches, including cash, bank deposits, securities, bills and other financial instruments. These assets, such as bills and financial instruments, are managed and arranged amongst subsidiaries of the Group through proper endorsements or transfers to the different subsidiaries so that they can be fully utilized to meet the Group’s payment obligations with minimal financing cost. The Group closely monitors the level of use and the value of each of these transactions only represents an immaterial part of its total assets and undertakings. The Directors believe that these policies promote the efficient use of the Group’s financial resources.

In addition, the treasury policies of the Group also include mechanisms to mitigate its foreign exchange risks. The Group mainly operates in China with most of its significant transactions denominated and settled in RMB and US Dollars (“**USD**”). Given the pegged exchange rate between the Hong Kong dollar (“**HKD**”) and the USD, the Directors do not foresee that the Group is subject to significant foreign exchange risks for transactions conducted in HKD or USD. However, exchange rate fluctuations between the RMB and the HKD or the RMB and the USD could affect the Group’s performance and asset value. The Group also has float glass production facilities in Malaysia. Exchange rate fluctuations between the Malaysian Ringgit (“**MYR**”) and the HKD could also affect the Group’s performance and asset value.

Because of the depreciation in the exchange rate converting the RMB to the HKD in second half of 2018, the Group reported non-cash translation decreases in the exchange reserve of its consolidated balance sheet — when converting RMB-denominated assets into HKD. For the year ended 31 December 2018, an exchanges reserve drop of HK$1,560.7 million was recorded as the foreign currency translations reserve movement. As a result, the balance of the consolidated foreign currency translations reserve account recorded a debit balance of HK$1,014.8 million as at 31 December 2018 as compared with a credit balance of HK$545.9 million as at 31 December 2017.

For the Group’s PRC business, the revenue from sales of glass products is denominated in RMB whilst most of the bank borrowings are denominated in HKD. In implementing its treasury policies, the Group maintained a well-designed balance between the currency risk and the interest savings arising from HKD-denominated bank borrowings. As at 31 December 2018, all the bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity issues resulting from currency exchange fluctuations. During the year ended 31 December 2018, the Group has not used any financial instrument for hedging purposes.

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.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. LEE Yin Yee, B.B.S. (李賢義) aged 66, is our Chairman and founder, responsible for the Group's business strategy. Dr. LEE Yin Yee, B.B.S. has more than 30 years' experience in the automobile glass industry. Prior to establishing the Group, Dr. LEE Yin Yee, B.B.S. was involved in the trading of automobile parts. Dr. LEE Yin Yee, B.B.S. has been the national committee member of the Tenth, Eleventh, Twelfth and Thirteenth Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Dr. LEE Yin Yee, B.B.S. obtained a honorable doctorate degree in engineering from the Universiti Teknikal Malaysia Melaka in November 2018. Dr. LEE Yin Yee, B.B.S. was appointed in December 2003 as the first chairman of Shenzhen Fujian Corporate Association. Dr. LEE Yin Yee, B.B.S. is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Dr. LEE Yin Yee, B.B.S. is the father of Mr. LEE Shing Kan, our executive Director. Dr. LEE Yin Yee, B.B.S. is also the brother-in-law of Mr. TUNG Ching Bor, our vice-chairman and executive Director and brother-in-law of Mr. TUNG Ching Sai, our chief executive officer and executive Director. Dr. LEE Yin Yee, B.B.S. was appointed as our executive Director on 25 June 2004. Dr. LEE Yin Yee, B.B.S. is the chairman and non-executive Director of Xinyi Solar Holdings Limited ("**Xinyi Solar**") a company listed on the main board of the Stock Exchange. Save as disclosed above, Dr. LEE Yin Yee, B.B.S. has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Dr. LEE Yin Yee, B.B.S. has not held any directorship in other publicly listed companies in the last three years.

Mr. TUNG Ching Bor (董清波), aged 56, is our vice-chairman and chief purchasing officer, responsible for managing our daily operations and overseeing our purchasing functions. Prior to joining us in January 2000, Mr. TUNG Ching Bor had over 14 years' experience in automobile parts purchase. Mr. TUNG Ching Bor is a member of The Tenth Chinese People's Political Consultative Conference of Anhui Province since 1 January 2011 and also a member of Nanping Committee of Fujian Province. Mr. TUNG Ching Bor is the brother-in-law of Dr. LEE Yin Yee, B.B.S., brother of Mr. TUNG Ching Sai, our chief executive officer and executive Director, and uncle of Mr. LEE Shing Kan, our executive Director. Mr. TUNG Ching Bor was appointed as our executive Director on 25 June 2004. Save as disclosed above, Mr. TUNG Ching Bor has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. TUNG Ching Bor has not held any directorship in other publicly listed companies in the last three years.

Profile of Directors and Senior Management

Mr. TUNG Ching Sai (董清世), aged 53, is our executive Director and chief executive officer. Mr. TUNG Ching Sai has been with us for over 30 years since our inception in November 1988 and is responsible for overseeing our daily operations. Mr. TUNG Ching Sai is a standing committee member of the twelve session of the Guangxi Zhuang Autonomous Regional Committee of the Chinese People's Political Consultative Conference, (中國人民政治協商會議第十二屆廣西壯族自治區委員會常委) a member of the executive committee of the twelve session of the All-China Federation of Industry and Commerce, chairman of the Happy Hong Kong Foundation, and the president of Hong Kong Industrial & Commercial Association (第十二屆全國工商聯執行委員會委員), vice chairman of the China Architectural and Industrial Glass Association (中國建築玻璃與工業玻璃協會), the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur in September 2001 and was awarded the "Young Industrialist Awards of Hong Kong 2006". Mr. TUNG Ching Sai graduated from the Sun Yat-Sen University with an executive master degree of business administration in 2007. Mr. TUNG Ching Sai is the brother-in-law of Dr. LEE Yin Yee, B.B.S., brother of Mr. TUNG Ching Bor, and uncle of Mr. LEE Shing Kan, our executive Director. Mr. TUNG Ching Sai was appointed as our executive Director on 25 June 2004. In November 2015, Mr. TUNG Ching Sai was appointed as the chairman and non-executive director of Xinyi Enterprises. In July 2016, Xinyi Enterprise was spun off from Xinyi Glass and became separately listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange. Mr. TUNG Ching Sai is the vice chairman and executive Director of Xinyi Solar, a company listed on the main board of the Stock Exchange.

Save as disclosed above, Mr. TUNG Ching Sai has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. TUNG Ching Sai has not held any directorship in other publicly listed companies in the last three years.

Mr. LEE Shing Kan (李聖根), aged 39, is our executive Director and is responsible for overseeing the overseas automobile glass operation and the general manager of Xinyi Automobile Glass (Shenzhen) Company Limited. Mr. LEE Shing Kan joined the Company in January 2005. Mr. LEE Shing Kan holds a bachelor's degree in commerce from The University of Melbourne, Australia and a master's degree in applied finance from Monash University, Australia. Mr. LEE Shing Kan was the member of the Fujian Province Committee of Chinese People's Political Consultative Conference. Mr. LEE Shing Kan was the director (2012/2014) of Tung Wah Group of Hospitals. Mr. LEE Shing Kan is the executive committee member of the Lok Sin Tong Benevolent Society, Kowloon (2019/2020). Mr. LEE Shing Kan is the son of Dr. LEE Yin Yee, B.B.S., nephew of Mr. TUNG Ching Bor and Mr. TUNG Ching Sai. Mr. LEE Shing Kan was appointed as our executive Director on 15 October 2008. Mr. LEE Shing Kan is a non-executive director of Xinyi Enterprise, a company listed on the GEM of the Stock Exchange.

Save as disclosed above, Mr. LEE Shing Kan has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LEE Shing Kan has not held any directorship in other publicly listed companies in the last three years.

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai (李清懷), aged 61, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. LI Ching Wai has worked in the trading of automobile parts industry. Mr. LI Ching Wai was appointed as our non-executive Director on 25 June 2004. Save as disclosed above, Mr. LI Ching Wai has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LI Ching Wai has not held any directorship in other publicly listed companies in the last three years.

Mr. SZE Nang Sze (施能獅), aged 61, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. SZE Nang Sze has worked in the trading of automobile parts industry. Mr. SZE Nang Sze was appointed as our non-executive Director on 25 June 2004. Save as disclosed above, Mr. SZE Nang Sze has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. SZE Nang Sze has not held any directorship in other publicly listed companies in the last three years.

Mr. LI Ching Leung (李清涼), aged 62, is our non-executive Director and has joined us since August 2004. Mr. LI Ching Leung was the assistant general manager of our Wuhu production complex. Prior to joining us, Mr. LI Ching Leung has worked in the trading of automobile parts industry, manufacturing of plastic products and mould industry, and manufacturing of leather products industry. Mr. LI Ching Leung was appointed as our executive Director on 25 August 2004 and was re-designated as non-executive Director on 14 September 2005. Save as disclosed above, Mr. LI Ching Leung has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LI Ching Leung has not held any directorship in other publicly listed companies in the last three years.

Mr. NG Ngan Ho (吳銀河), aged 54, is our non-executive Director and has joined us since August 2003. Mr. NG Ngan Ho was responsible for overseeing the financial and purchasing matters of our Dongguan production complex. Mr. NG Ngan Ho was appointed as our executive Director on 25 June 2004 and was re-designated as non-executive Director on 1 July 2007. Save as disclosed above, Mr. NG Ngan Ho has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. NG Ngan Ho has not held any directorship in other publicly listed companies in the last three years.

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu, S.B.S. (林廣兆), aged 85, is the vice chairman of BOC International Holdings Limited, the honorary chairman of Hong Kong Federation of Fujian Associations, the Life Honorary Chairman of Hong Kong Fukien Chamber of Commerce, the vice chairman of Fujian Hong Kong Economic Co-operation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association, the honorary president of the Chinese Bankers Club of Hong Kong and thus has the appropriate professional expertise required under Rule 3.10 (2) of the Listing Rules. Mr. LAM Kwong Siu has also been the director of Bank of China International Limited (formerly named "BOCI Capital Limited") since July 2002, the non-executive director of China Overseas Land & Investment Limited since September 2003, Fujian Holdings Limited since December 2003, Yuzhou Properties Company Limited since October 2009 and Far East Consortium International Limited since September 2011. Mr. LAM Kwong Siu was awarded the HKSAR Silver Bauhinia Star in 2003. Mr. LAM Kwong Siu was appointed as our independent non-executive Director on 30 August 2004. China Overseas Land & Investment Limited, Fujian Holdings Limited, Yuzhou Properties Company Limited and Far East Consortium International Limited are companies whose shares are being listed on the Stock Exchange.

Mr. LAM Kwong Siu, S.B.S. has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. LAM Kwong Siu, S.B.S. has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. WONG Chat Chor Samuel (王則左), aged 69, is currently a Barrister-at-Law in Hong Kong and a Chartered Arbitrator. Mr. WONG Chat Chor Samuel, a member of several arbitration institutions, is a Fellow of the Chartered Institute of Arbitrators, a Fellow of the Hong Kong Institute of Arbitrators, Executive Council member of the Hong Kong Society for Rehabilitation and Crime Prevention, was the president of the Hong Kong Institute of Arbitrators 2002 and 2003, is a member of the International Chamber of Commerce ("ICC") and the ICC Arbitration Committee of Hong Kong. Mr. WONG Chat Chor Samuel is also on the panels of the China International Economic and Trade Arbitration Commission, the Hong Kong International Arbitration Center and on the panels of the Arbitration Commissions of Wuhan, Wenzhou, Nanning, Guangzhou and Huizhou of China. In addition, Mr. WONG Chat Chor Samuel was also a director of Nan Fung (Singapore) Pte Limited and was the chairman of the BPC Group of Companies, Malaysia. Mr. WONG Chat Chor Samuel was a standing committee member of the Peoples' Political Consultative Committee of Wenzhou, Zhejiang, the PRC. Mr. WONG Chat Chor Samuel received a master degree in business administration from Harvard University and a master and a bachelor degree in Arts from Tufts University, Massachusetts. Mr. WONG Chat Chor Samuel was appointed as our independent non-executive Director on 30 August 2004.

Mr. WONG Chat Chor Samuel has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. WONG Chat Chor Samuel has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Dr. WONG Ying Wai, G.B.S., JP (王英偉), aged 66, is the President and Executive Director of Sands China Limited, the shares of which are listed on the Stock Exchange.

Dr. WONG Ying Wai joined the Administrative Officer grade of the Hong Kong Government in 1975 and served in a number of key positions including Deputy Secretary for the Civil Service and Deputy Director General of Industry. Dr. WONG Ying Wai joined the private sector in 1992 and since then, he has held top management positions in a number of Hong Kong listed companies in the property development and construction business sectors including K. Wah International Holdings Limited, Henderson China Holdings Limited, Shui On Group and Hsin Chong Construction Group Ltd.

Dr. WONG Ying Wai started his political career at the national level when he was appointed a member of The Basic Law Consultative Committee (1985-1990) by the Central People's Government. He was subsequently appointed by the National People's Congress as a member of the Preliminary Working Committee for the Hong Kong SAR Preparatory Committee in 1993 and a member of the Hong Kong SAR Preparatory Committee in 1995, both bodies were responsible for the transitional policies and arrangements relating to the establishment of the HKSAR Government in 1997. Dr. WONG Ying Wai was a Deputy to the National People's Congress of the PRC during 1997-2013.

Dr. WONG Ying Wai's public service continues through his participation in a number of councils and committees in Hong Kong and Macao. He is currently the chairman of Hong Kong Arts Development Council, the chairman emeritus of the Hong Kong Baptist University Foundation (since January 2018), the Chairman and director of The Hong Kong International Film Festival Society Limited, Asian Film Awards Academy Limited and Hong Kong Institute for Public Administration, a director and the chairman emeritus of Pacific Basin Economic Council Limited and a member of the Committee of Cultural Industries and a member of the Tourism Committee. He was appointed as the vice chairman of Hong Kong Film Development Council in April 2013. He was the chairman of the Court and Council of the Hong Kong Baptist University during the period from 2007 to 2012.

Dr. WONG Ying Wai was awarded the Gold Bauhinia Star and Silver Bauhinia Star Medal by the Hong Kong SAR Government in 2015 and 2007. He was educated at Harvard University (MPA), Oxford University, University of Hong Kong (BSoc.Sc.) and the Chinese University of Hong Kong. Dr. WONG was conferred the honorary degree for doctor of humanities by the Hong Kong Baptist University in November 2013.

Dr. WONG Ying Wai has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Dr. WONG Ying Wai has not held any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Profile of Directors and Senior Management

Mr. TRAN Chuen Wah, John (陳傳華), aged 47, obtained a bachelor's degree in business administration from Simon Fraser University in June 1993. Mr. TRAN Chuen Wah, John is currently a minister of Evangelical Free Churches of China Jachin Church Limited. Mr. TRAN Chuen Wah, John has over 16 years of experience in accounting and investment banking industry, during which Mr. TRAN Chuen Wah, John had worked in Price Waterhouse (now known as PricewaterhouseCoopers) and various financial institutions and investment banks in Hong Kong. During the period between 2003 and 2006, Mr. TRAN Chuen Wah, John was the Managing Director and the Head of Investment Banking of Kingsway Financial Services Group Limited ("Kingsway Group"). Mr. TRAN Chuen Wah, John was a consultant to Kingsway Group during the period from 2006 to 2009. Mr. TRAN Chuen Wah, John became a member of each of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 1996 and 1997, respectively. Mr. TRAN Chuen Wah, John became a Chartered Financial Analyst (granted by the Association for Investment Management and Research) in September 1999.

Mr. TRAN Chuen Wah, John has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. TRAN Chuen Wah, John has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. TAM Wai Hung, David (譚偉雄), aged 69, has more than 40 years of experience in commercial banking industry in Hong Kong and the PRC. Mr. TAM Wai Hung, David started his career in 1968 when he joined The Hongkong and Shanghai Banking Corporation ("HSBC"). During his career with HSBC, Mr. TAM Wai Hung, David held various senior positions in Hong Kong and overseas and his last position with HSBC was Senior Executive — Payments and Cash Management-Asia Pacific in 1999. Since March 1999, Mr. TAM Wai Hung, David worked with Hang Seng Bank Limited and held various senior positions in corporate and commercial banking and risk management. Mr. TAM Wai Hung, David retired from Hang Seng Bank Limited in January 2012 as a Deputy General Manager and his last position with the bank was Chief Risk Officer. Mr. TAM Wai Hung, David was a director of Yantai Bank (煙台銀行), a city commercial bank in Yantai, Shandong Province, the PRC from December 2012 to June 2017. Mr. TAM Wai Hung, David is currently a non-executive director of Nameson Holdings Limited which shares are listed on the Stock Exchange. Mr. TAM Wai Hung, David is currently an independent non-executive director of Dah Sing Financial Holdings Limited which shares are being listed on the Stock Exchange. Mr. TAM Wai Hung, David is currently an independent non-executive director of Dah Sing Bank Limited. Mr. TAM Wai Hung, David became a fellow member of the Institute of Bankers in the United Kingdom and the Hong Kong Institute of Bankers in 1986 and 1995, respectively. Mr. TAM Wai Hung, David received a master's degree in business administration from the University of Toronto in 1991.

Mr. TAM Wai Hung, David has no relationship with any Directors, senior management or substantial Shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. TAM Wai Hung, David has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

SENIOR MANAGEMENT

Mr. LAU Sik Yuen (劉錫源), aged 52, is the Group company secretary, chief financial officer and qualified accountant. Prior to joining the Group in April 2003, Mr. LAU Sik Yuen had over thirteen years' experience in auditing and financial accounting industry. Mr. LAU Sik Yuen is responsible for the Group's financial, management and cost accounting, taxation, treasury and investor relations strategy and operation. Mr. LAU Sik Yuen had worked for PricewaterhouseCoopers for over five years, and had been the financial controller of a subsidiary of a company listed on the main board of the Stock Exchange for over three years. Mr. LAU Sik Yuen is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

Mr. XU Bi Zhong (許必忠), aged 50, is the executive vice president of the Group and is overseeing the automobile glass OEM operations and sales. Mr. XU Bi Zhong obtained a diploma of administrative management from Shenzhen University. Prior to joining the Group in May 2004, Mr. XU Bi Zhong worked for a float glass trading company and a float glass plant in PRC for over twelve years.

Mr. ZHANG Ming (張明), aged 58, is the vice president of the Group and overseeing the construction of Beihai production complex. Mr. ZHANG Ming has obtained qualification as a senior engineer. Prior to joining the Group in February 1998, Mr. ZHANG Ming worked at a float glass plant in the PRC. Mr. ZHANG Ming graduated from Wuhan Construction Materials Institute in 1982 with a bachelor degree in construction materials and mechanics. Mr. ZHANG obtained a master degree in business administration from Peking University in 2010.

Mr. YANG Yi (楊逸), aged 46, is the vice president of the Group and is responsible for overseeing group administrative and human resources operations. Mr. YANG Yi obtained a diploma of applied material from South China University of Technology. Prior to joining the Group in July 2001, Mr. YANG Yi worked for a float glass plant in PRC for eight years.

Corporate Governance Report

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set forth in Appendix 14 to The Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange. For corporate governance purpose, the Company has adopted the CG Code throughout the year of 2018.

The Company has applied the principles and in the opinion of the Board, the Company has complied with the applicable principles and code provisions of the CG Code throughout the year ended 31 December 2018.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, four non-executive Directors and five independent non-executive Directors. Further information on the Directors is set forth on pages 15 to 20 of this annual report.

The four executive Directors are Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai and Mr. LEE Shing Kan. Dr. LEE Yin Yee, B.B.S., is the father of Mr. LEE Shing Kan, and also the brother-in-law of Mr. TUNG Ching Bor and Mr. TUNG Ching Sai. Mr. TUNG Ching Bor is the elder brother of Mr. TUNG Ching Sai. Hence, Mr. LEE Shing Kan is the son of Dr. LEE Yin Yee, B.B.S., nephew of Mr. TUNG Ching Bor and Mr. TUNG Ching Sai.

The four non-executive Directors are Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. NG Ngan Ho.

The five independent non-executive Directors are Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., JP., Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David.

Chairman and Chief Executive Officer

Dr. LEE Yin Yee, B.B.S. is the Chairman of the Group and Mr. TUNG Ching Sai is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. Dr. LEE is responsible for ensuring that the Group has maintained strong and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of other members of the Board and other senior management, Mr. TUNG Ching Sai closely monitors the operating and financial results of the Group, identifies any weakness in the operation and takes all necessary and appropriate steps to remedy such weakness. Mr. TUNG is also responsible for formulating the future business plans and strategies of the Group for the Board's approval.

Board Diversity Policy

The Company has complied with Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, one independent non-executive director of which has the appropriate professional qualifications or accounting or related finance management expertise and the independent non-executive directors represent at least one-third of the Board.

Where there is any casual vacancy in the Board, candidates will be proposed and put forward to the Board for consideration and approval, with a view to appointing to the Board individuals with the appropriate capabilities to fill the casual vacancy.

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set forth on pages 15 to 20 in this Annual Report.

The Board considers that its diversity is a vital asset to the business. During the year, the Board adopted a Board Diversity Policy for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All of the four non-executive Directors were appointed for a term of three years, commencing from 1 January 2017. Two of the independent non-executive Directors, Mr. LAM Kwong Siu, S.B.S. and Mr. WONG Chat Chor Samuel, were appointed for a term of three years commencing from 3 February 2017. The independent non-executive Director, Dr. WONG Ying Wai, G.B.S., JP, was appointed for a term of three years commencing from 1 November 2017. Two of the independent non-executive Directors, Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David, were appointed for a term of three years commencing from 31 December 2018. The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 3.13 of the Listing Rules.

Corporate Governance Report

Attendance records of the Directors at board meetings and general meetings in 2018 are as follows:

	Meetings attended/held	
	Annual general meeting	Board meetings
Executive director		
LEE Yin Yee	1/1	6/6
TUNG Ching Bor	1/1	6/6
TUNG Ching Sai	1/1	6/6
LEE Shing Kan	1/1	6/6
Non-executive director		
LI Ching Wai	1/1	6/6
LI Ching Leung	1/1	6/6
SZE Nang Sze	1/1	6/6
NG Ngan Ho	1/1	6/6
Independent non-executive director		
LAM Kwong Siu	0/1	5/6
WONG Ying Wai	0/1	5/6
WONG Chat Chor	0/1	5/6
TRAN Chuen Wah, John	1/1	6/6
TAM Wai Hung, David	1/1	6/6

During the financial year ended 31 December 2018, the Board has held six meetings, which were held on 26 February 2018, 26 June 2018, 30 July 2018, 31 July 2018, 29 November 2018 and 20 December 2018, respectively, and all Directors had attended these meetings. At least four Board meetings are scheduled to be held during the financial year ending 31 December 2019.

The Board is responsible for the formulation of the overall strategies and objectives of the Group, monitoring and evaluating the operating and financial performance, the review of the corporate governance measures and supervision of the overall management of the Group. The senior management of the Group is responsible for the implementation of the business strategies and the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Directors have full access to all the information of the Group in regard to the business operation and financial performance of the Group. Senior management of the Group also provides the Directors from time to time with information on business operation of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set forth in the Model Code throughout the year ended 31 December 2018 and up to the date of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., JP, Dr. LEE Yin Yee, B.B.S., and Mr. TUNG Ching Sai. The chairman of the Remuneration Committee is Mr. LAM Kwong Siu, S.B.S.

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. Its terms of reference are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2018, a meeting of the Remuneration Committee was held on 1 June 2018 and all the committee members attended this meeting.

Pursuant to code provision B1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2018 is set forth below:

In the band of	Number of individuals
Over HK$4,000,000	4
HK$2,000,001 to HK$4,000,000	5

Details of the Directors' remuneration is set out in Note 35 to the consolidated financial statements of the Group on pages 158 to 161 in this annual report.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee of the Board comprises five independent non-executive Directors, Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., JP, Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David. Mr. LAM Kwong Siu is the chairman of the Audit Committee.

The Audit Committee assists the Board to review the financial information and reporting process, evaluate the effectiveness of internal control systems and oversee the auditing processes of the Group. Its terms of reference are posted on the websites of the Company and the Stock Exchange. The Audit Committee has held three meetings during the year ended 31 December 2018 on 26 February 2018, 31 July 2018 and 30 November 2018, respectively, for reviewing the annual and interim financial results and reports as well as the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and all the committee members attended these meetings.

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai, Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Dr. WONG Ying Wai, G.B.S., JP. The chairman of the Nomination Committee is Dr. LEE Yin Yee, B.B.S.

The primary duties of the Nomination Committee are to review the structure, size and diversity (including the skills, knowledge and experience) of the Board on a regular basis, assess the independence of independent non-executive Directors of the Company, and make recommendations to the Board regarding the appointment, retirement and re-election of Directors. The Nomination Committee was established on 29 October 2007 and its terms of reference are posted on the websites of the Company and the Hong Kong Stock Exchange. The nomination committee held no meeting during the year ended 31 December 2018.

NOMINATION POLICY

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

– Reputation for integrity;

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

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

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

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

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

Procedures for shareholders' nomination of any proposed candidate for election as a director are stated in "Mechanisms available for shareholders to propose a person for election as a director of the Company" and disclosed in the Company's website.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended 31 December 2018 have been reviewed by the audit committee and audited by the external auditor, PricewaterhouseCoopers. The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 48 to 52 of this annual report.

Corporate Governance Report

AUDITOR'S REMUNERATION

For the year under review, the professional fees charged by the auditors of the group companies in respect of the auditing services is disclosed in the notes to the financial statements. The remuneration paid to the auditor of the Group is solely for audit of consolidated financial statements of the Group during the year, which amounted to approximately HK$4.0 million.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of risk management and internal control so as to ensure the effectiveness and efficiency of the operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives of the Group.

The key elements of the Group's risk management and internal control structure are as follows:

– Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;

– Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;

– Important business functions or activities are managed by experienced, qualified and suitably trained staff;

– Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary; and

– Internal audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2018.

A risk-based approach is adopted to ensure that a methodical coverage of the Group's operations and resources are focused on high risk areas. The internal audit team takes the lead to evaluate the risk management and internal control systems of the Group by reviewing the major operations of the Group on a rotational basis every year. The review covers all material controls including financial, operational, compliance controls and risk management. Review results and recommendations in the form of written reports are submitted to the Audit Committee for discussion and review. Follow up actions will be taken up by the internal audit team to ensure that findings previously identified have been properly resolved.

Based on the results of the internal control review for the year ended 31 December 2018 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2018.

INSIDE INFORMATION POLICY

The Company has established an inside information policy which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulation.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

We provide to all the Directors a comprehensive induction package which includes introduction on the business operations, internal procedures and general policy of the Company and a summary of statutory and regulatory obligations of directors under the Listing Rules and other relevant laws and regulations. During the year, the Directors are provided with regular updates on the Group's business, operations, risk management and corporate governance matters to enable the Board as a whole and each Director to discharge their duties. The Directors are also encouraged to attend both in-house training and training provided by independent service providers. During the period under review, all Directors participated in various trainings organised by the Company, including the "**Disclosure Obligation for Listed Companies and Officers**" and "**Update on the requirements under the Hong Kong Listing Rules, Hong Kong Companies Ordinance, and Hong Kong Securities and Futures Ordinance**". According to the training records maintained by the Company, each Director has confirmed that he has obtained reading and training materials during the year under review and has attended the trainings in relation to various aspects, including but not limited to, director's duties, update on Listing Rules amendments and corporate governance practices.

COMPANY SECRETARY

The company secretary is Mr. LAU Sik Yuen, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. LAU is also the chief financial officer of the Company. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. He has taken not less than 15 hours of relevant professional training in 2018, in compliance with Rule 3.29 of the Listing Rules.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following channels:

(i) the Annual General Meeting provides a forum for the Shareholders of the Company to raise comments and exchange views with the Board. The Directors are available at the Annual General Meetings of the Company to address shareholders' queries;

(ii) the Company maintains a website at www.xinyiglass.com, where updated key information/news of the Group is available for public access;

(iii) interim and annual results are announced as early as possible, to keep the Shareholders of the Company informed of the Group's performance and operations;

(iv) investor, analyst and media briefing are held as early as practicable after the publication of the interim and annual results;

(v) the Company's management may meet with shareholders, potential investors and research analysts upon request and provide update of the latest business development of the Group and answer their queries in accordance with the Group's Inside Information Policy;

(vi) shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the company secretary or via e-mail to "ir@xinyiglass.com"; and

(vii) shareholders may direct their enquiries about their shareholdings to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 64 of the articles of association (the "**Articles**") of the Company, an extraordinary general meeting ("**EGM**") shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

INVESTORS RELATIONS

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2018.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding whereas its subsidiaries are principally engaged in the production and sales of float glass products, automobile glass products, construction glass products and a variety of related products in the PRC and Malaysia. Particulars of the subsidiaries of the Company are set forth in Note 11 to the consolidated financial statements of the Group in this annual report.

The analysis of the Group's performance for the financial year ended 31 December 2018 by operating segments is set forth in Note 5 to the consolidated financial statements in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2018 are set forth in the consolidated income statement on page 55 in this annual report. During the financial year, an interim dividend of 25.0 HK cents per Share, amounting to a total of approximately HK$999.6 million of cash dividend, was paid to shareholders on 4 September 2018.

The Board proposes the payment of a final dividend of 27.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 23 May 2019. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or about Wednesday 3 July 2019.

The register of members of the Company will be closed for the purpose of determining the entitlements to attend and vote at the Annual General Meeting from Thursday, 9 May 2019 to Wednesday, 15 May 2019, both days inclusive, during which period, no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all Share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 8 May 2019.

The register of members will be closed from Tuesday, 21 May 2019 to Thursday, 23 May 2019 (both days inclusive), during such period no transfer of the Shares will be registered for the purpose in order to determine the entitlement to receive the proposed Final Dividend. All transfer of the Shares accompanied by the relevant share certificates must be lodged with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 20 May 2019 for such purpose.

BUSINESS REVIEW AND PROSPECTS

A business review of the Group for the year ended 31 December 2018 and its future development is set out in the Chairman's Statement from pages 4 to 8 and Management Discussion and Analysis from pages 9 to 14 of this annual report.

RESERVES

Details of movements in the reserves of the Group and of the Company during the financial year are set forth in Note 19 to the consolidated financial statements in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During year under review and to the best knowledge of the Company's directors, the Group had obtained and completed all material licenses, certifications, permits and registration necessary for its business operations, and that the Group had complied in all material aspects with all laws, rules and regulations that have a significant impact on the Group's business and operations.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

— *Energy* – Natural gas has been used as the principal energy source for the Group's glass melting furnaces.

— *Power generation from residual heat* – The Group's float glass production plants have used the residual heat generated in the production processes for electricity generation.

— *Glass recycling* – Scraped and unused glass produced during the production process have been recycled to the glass melting furnaces for production of float glass products.

Over the past few years, the Group has invested in one wind farm project and several small solar farm projects inside the production complexes, which can help to improve air quality and the environment by reducing the consumption of fossil fuels and emission of carbon dioxide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is in the process of preparing its ESG report for the year ended 31 December 2018 and will publish it on the Hong Kong Stock Exchange's website and the Company's website upon completion of preparation for ESG report.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group values relationships with, and have been maintaining good relationships with its customers, raw material and equipment suppliers, logistics service providers and the employees of the Group. During the year ended 31 December 2018, there were no material dispute between the Group and its customers, suppliers and employees.

Report of the Directors

PRINCIPAL RISK AND UNCERTAINIES

The business performance of the Group is subject to the following principal risks and uncertainties:

Float glass business

— The levels of demand and supply of float glass are not entirely within the Group's control and are generally affected by construction and building materials industries, the overall macroeconomic factors in the principal property market, and the production capacity of other float glass manufacturers.

— The Group may not be able to adjust its production levels promptly in response to the changing market environment and as a result, any unbalance between the demand and supply of float glass could create significant pressure on the selling prices.

— As a float glass manufacturer, the Group follows the technology development which may cause demand for its float glass products to be reduced significantly.

— The Group also relies on a constant supply of energy and raw materials for its production requirement.

— The PRC environmental policies on air emission would affect the industry capacity and production costs.

Automobile glass business

— The international trade war or anti-dumping tax would affect the overseas sales.

— The fluctuation of USD exchange rate would affect the overseas demand.

— The international oil price would affect the transportation cost.

Architectural glass business

— The PRC property and financial policies would affect the demand of the architectural glass.

— The levels of demand and supply of architectural glass are not entirely within the Group's control and generally affected by the property and building industries.

— The Group also relies on a constant supply of energy and raw materials for its production requirement.

All of the above factors could adversely and materially affect the Group's operating results and profitability.

Details of the Group's exposure to foreign exchange and other financial risks are set out in the section headed "Treasury Policies and Exposure to Fluctuations in Foreign Exchange Rates" in the Management Discussion and Analysis on page 14 and section headed "Financial Risk Management" in the Consolidated Financial Statements from page 88 to 96 of this Annual Report.

FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last five financial years is set forth in the section headed "Financial Summary" in this annual report.

INVESTMENT PROPERTIES

Details of this movement in investment properties of the Group during the year are set forth in Note 8 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year under review are set forth in Note 7 to the consolidated financial statements.

DONATIONS

Donations by the Group for charitable and other purposes during the financial year amounted to HK$6,897,000 (2017: HK$1,904,000).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set forth in Note 18 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2018, Share premium amounting to HK$249.8 million (2017: HK$534.2 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2018, the Company had distributable reserves available for distribution to Shareholders amounting to HK$149.5 million (2017: HK$106.8 million) other than mentioned above.

Report of the Directors

DIVIDEND POLICY

In considering the payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements and strike a proper balance between future business growth and rewarding the Shareholders of the Company.

Provided that the daily working capital needs of the Group can be satisfied and funding has been reserved for future development, the Company intends to maintain a relatively stable dividend distribution ratio. However, the Company's dividend distribution record in the past does not necessarily imply that the same level of dividends may be declared or paid by the Company in the future.

In proposing any dividend payout, the Board shall take into account the financial performance and cash flow situation of the Group, future expansion plans and capital requirements, interests of Shareholders, contractual restrictions on payment of dividends, taxation considerations, statutory and regulatory restrictions, general economic conditions, business cycle of the Group's business and any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Memorandum and Articles of Association.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

DIRECTORS

The Directors during the financial year and up to the date of this annual report were:

EXECUTIVE DIRECTORS

Dr. LEE Yin Yee, B.B.S. (Chairman)
Mr. TUNG Ching Bor (Vice Chairman)
Mr. TUNG Ching Sai (Chief Executive Officer)
Mr. LEE Shing Kan

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai
Mr. SZE Nang Sze
Mr. LI Ching Leung
Mr. NG Ngan Ho

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu, S.B.S.
Mr. WONG Chat Chor Samuel
Dr. WONG Ying Wai, G.B.S., JP
Mr. TRAN Chuen Wah, John
Mr. TAM Wai Hung, David

In accordance with article 108 of the Company's articles of association (the "**Articles**"), Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. TAM Wai Hung, David will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The Company's policies concerning remuneration of the executive Directors are:

(i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided to the executive Directors under their remuneration package;

(iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the share option scheme, as part of their remuneration package; and

(iv) annual director fee of HK$300,000 for the year ended 31 December 2018, and HK$300,000 for the year ending 31 December 2019.

Save for the annual director fee of HK$300,000 for each non-executive Director in 2018, none of the non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group.

Save for the annual director fee of HK$300,000 for each independent non-executive Director in 2018, none of the independent non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., JP, Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David and their mutual agreement with the Company.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

No contracts, transactions and arrangements of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

SHARE OPTION SCHEME

The share option scheme ("**Old Share Option Scheme**") adopted by the Company on 18 January 2005, being valid for a period of 10 years from the date of adoption, expired on 17 January 2015. Pursuant to the EGM of the Company held on 15 January 2015, a new share option scheme (the "**Share Option Scheme**") was approved and adopted.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants (as defined below) and for such other purposes as the Directors may approve from time to time.

For the purpose of the Share Option Scheme, participants (the "**Participants**") include (i) any employees (whether full-time or part-time) of the Company or any of its subsidiaries, associated companies, jointly controlled entities and related companies from time to time (collectively, the "**Extended Group**"); (ii) any directors (whether executive directors or non-executive directors or independent non-executive directors) of the Extended Group; (iii) customers of the Extended Group or any of the subsidiaries or associated companies of such customers; and (iv) any consultants, professionals and other advisers to each member of the Extended Group.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% (the "**Scheme Mandate Limit**") of the total number of Shares in issue as of 18 January 2015.

The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and other share option schemes of the Company in issue shall not exceed 10% (the "**Refreshed Limit**") of the issued share capital of the Company on the date the refreshment of such limit is approved.

Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30% limit being exceeded.

Unless with the approval of the Shareholders in general meeting, the maximum number of Shares issued and to be issued upon the exercise of the options granted to each Participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any 12-month period shall not exceed 1% of the Shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date on which the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. An option may be accepted by a Participant within 30 days from the date of the offer for the grant of the option and the amount payable on acceptance of the grant of an option is HK$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each Share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(a) the official closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong (the "**Business Day**");

(b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five Business Days immediately preceding the date of the grant; and

(c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years commencing from 18 January 2015.

Pursuant to the Old Share Option Scheme and the Share Option Scheme, several tranches of options were granted to employees of the Group, the details of the effective tranches are set forth as follows:

In March 2011, the sixth tranche of 23,718,000 options was granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). 6,566,000 options have lapsed. The exercise price of these options is HK$6.44 per Share and the option holders may exercise the options between 1 April 2014 and 31 March 2015, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders were expired on 31 March 2015.

In May 2012, the seventh tranche of 26,250,000 options was granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). 6,909,000 options have lapsed. The exercise price of these options is HK$4.34 per Share and the option holders may exercise the options between 1 April 2015 and 31 March 2016, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders were expired on 31 March 2016.

In April 2013, the eighth tranche of 26,500,000 options was granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 6,341,000 options have lapsed. The exercise price of these options is HK$5.55 per Share and the option holders may exercise the options between 1 April 2016 and 31 March 2017, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2017 shall lapse.

In February 2014, the ninth tranche of 26,000,000 options has been granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 5,224,000 options have lapsed. The exercise price of these options is HK$6.84 per Share and the option holders may exercise the options between 1 April 2017 and 31 March 2018, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2018 shall lapse.

In March 2015, the tenth tranche of 28,000,000 options has been granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 6,220,000 options have lapsed. The exercise price of these options is HK$4.55 per Share and the option holders may exercise the options between 1 April 2018 and 31 March 2019, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2019 shall lapse.

In March 2016, the eleventh tranche of 28,500,000 options has been granted to employees of the Group and none of the grantees is a Director, chief executive or substantial shareholder of the Company nor an associate of any of them. A total of 3,112,500 options have lapsed. The exercise price of these options is HK$4.81 per Share and the option holders may exercise the options between 1 April 2019 to 31 March 2020, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2020 shall lapse.

In March 2017, the twelfth tranche of 29,264,000 options has been granted to employees of the Group and none of the grantees is a Director, chief executive or substantial shareholder of the Company nor an associate of any of them. A total of 2,199,000 options have lapsed. The exercise price of these options is HK$7.28 per Share and the option holders may exercise the options between 1 April 2020 to 31 March 2021, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2021 shall lapse.

In February 2018, the thirteenth tranche of 29,600,000 options has been granted to employees of the Group and none of the grantees is a Director, chief executive or substantial shareholder of the Company nor an associate of any of them. A total of 402,500 options have lapsed. The exercise price of these options is HK$11.74 per Share and the option holders may exercise the options between 1 April 2021 to 31 March 2022, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2022 shall lapse.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set forth on pages 15 to 21 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in the Listing Rules, were as follows:

INTERESTS IN THE COMPANY

Long position in the Shares

Name of Directors	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Dr. LEE Yin Yee, B.B.S.	Interest of a controlled corporation *(Note a)*	725,209,552	18.16%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.74%
	Personal interest *(Note b)*	129,380,000	3.24%
Mr. TUNG Ching Bor	Interest of a controlled corporation *(Note c)*	266,766,456	6.68%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.74%
	Personal interest *(Note d)*	38,086,000	0.95%
Mr. TUNG Ching Sai	Interest of a controlled corporation *(Note e)*	246,932,579	6.18%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.74%
	Personal interest	2,908,000	0.07%
	Personal interest *(Note f)*	126,512,000	3.17%
Mr. LI Ching Wai	Interest of a controlled corporation *(Note g)*	116,580,868	2.92%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.74%
	Personal interest	3,000,000	0.08%
Mr. SZE Nang Sze	Interest of a controlled corporation *(Note h)*	105,630,781	2.65%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.74%
	Personal interest	11,490,000	0.19%
Mr. NG Ngan Ho	Interest of a controlled corporation *(Note i)*	77,853,912	1.95%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.74%
	Personal interest	3,100,000	0.08%
Mr. LI Ching Leung	Interest of a controlled corporation *(Note j)*	77,853,911	1.95%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.74%
	Personal interest	5,494,000	0.14%
	Personal interest *(Note k)*	400,000	0.01%
Mr. TRAN Chuen Wah, John	Personal interest	10,000	0.001%
	Personal interest *(Note l)*	140,000	0.004%

Notes:

(a) Dr. LEE Yin Yee's interests in the Shares are held through Realbest Investment Limited ("**Realbest**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Dr. LEE Yin Yee.

(b) Dr. LEE Yin Yee's interests in the Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.

(c) Mr. TUNG Ching Bor's interests in the Shares are held through High Park Technology Limited ("**High Park**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. TUNG Ching Bor.

(d) Mr. TUNG Ching Bor's interests in the Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.

(e) Mr. TUNG Ching Sai's interests in the Shares are held through Copark Investment Limited ("**Copark**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. TUNG Ching Sai.

(f) Mr. TUNG Ching Sai's interests in the Shares are held through his spouse, Madam SZE Tang Hung.

(g) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited ("**Goldbo**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LI Ching Wai.

(h) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited ("**Goldpine**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. SZE Nang Sze.

(i) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited ("**Linkall**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. NG Ngan Ho.

(j) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited ("**Herosmart**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. LI Ching Leung.

(k) Mr. LI Ching Leung's interests in the Shares are held through his spouse, Madam DY Maria Lumin.

(l) Mr. TRAN Chuen Wah, John's interest in the Shares are held through his spouse, Madam LAM Ying.

(m) The interest in the Shares are held through Full Guang Holdings Limited ("**Full Guang**"), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Mr. TUNG Ching Sai as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai. as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

INTERESTS IN ASSOCIATED CORPORATIONS

Name of associated corporation	Name of Director	Class and number of shares held in the associated corporation	Approximate shareholding percentage
Realbest *(Note n)*	Dr. LEE Yin Yee, B.B.S.	2 ordinary shares	100%
High Park *(Note o)*	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copark *(Note p)*	Mr. TUNG Ching Sai	2 ordinary shares	100%
Goldbo *(Note q)*	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall *(Note r)*	Mr. NG Ngan Ho	2 ordinary shares	100%
Goldpine *(Note s)*	Mr. SZE Nang Sze	2 ordinary shares	100%
Herosmart *(Note t)*	Mr. LI Ching Leung	2 ordinary shares	100%

Notes:

(n) Realbest is wholly-owned by Dr. LEE Yin Yee, B.B.S..

(o) High Park is wholly-owned by Mr. TUNG Ching Bor.

(p) Copark is wholly-owned by Mr. TUNG Ching Sai.

(q) Goldbo is wholly-owned by Mr. LI Ching Wai.

(r) Linkall is wholly-owned by Mr. NG Ngan Ho.

(s) Goldpine is wholly-owned by Mr. SZE Nang Sze.

(t) Herosmart is wholly-owned by Mr. LI Ching Leung.

Save as disclosed above, as at 31 December 2018, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2018, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

The Company

Long position in the Shares

Name of Substantial Shareholders	Number of Shares held	Nature of interest	Approximate percentage of the Company's issued share capital
Realbest	725,209,552	Registered and beneficial owner	18.16%
High Park	266,766,456	Registered and beneficial owner	6.68%
Copark	246,932,579	Registered and beneficial owner	6.18%
Telerich Investment Limited *(Note)*	251,595,089	Registered and beneficial owner	6.30%

Note: These Shares are registered in the name of Telerich Investment Limited, the entire issued share capital of which is beneficially owned by Mr. LEE Sing Din, brother-in-law of Dr. LEE Yin Yee, B.B.S.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL OF SUBSIDIARIES OF THE COMPANY

As at 31 December 2018, the persons who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (other than the Company) were as follows:

Name of subsidiary of the Company	Name of shareholder	Class and number of shares held in the subsidiary of the Company	Approximate shareholding percentage
Xinyi Auto Glass (North America) Corporation	Provision Holdings Limited *(Note a)*	30,000 class A common shares	30.0%
Xinyi Glass (Germany) Limited	Mr. Wolfgang Walter WILLNAT *(Note c)*	2,500 common shares	25.0%
	Polaron International Inc.	1,250 common shares	12.5%
Xinyi Glass Japan Company Limited	Provision Holdings Limited *(Note a)*	40 common shares	10.0%
	Mr. CHO Shotie *(Note b)*	140 common shares	35.0%

Notes:

(a) Provision Holdings Limited is 100% owned by Mr. Geraldo Henri TAM. Mr. Geraldo Henri TAM is a director of Xinyi Auto Glass (North America) Corporation and Xinyi Glass Japan Company Limited.

(b) Mr. CHO Shotie is a director of Xinyi Glass Japan Company Limited.

(c) Mr. Wolfgang Walter WILLNAT is director of Xinyi Glass (Germany) Limited.

Save as disclosed herein, the Directors are not aware of any persons who were directly or indirectly interested in 10% or more of the Shares then in issue, or equity interest in any member of the Group representing 10% or more of the equity interest in such company, or who had any interests or short positions in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2018, none of the Directors and their respective associates (as defined in the Listing Rules) or any controlling shareholder (as defined in the Listing Rules), if any, of the Company had any interest in a business, which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2018, appropriate insurance covering for the Directors' and senior management's liabilities arising out of activities of the Group has been arranged by the Company. As of the date of this annual report, such insurance covering remained effective.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for continuing operation for the year attributable to the Group's major customers and suppliers are as follows:

Sales

– the largest customer	3.9%
– five largest customers in aggregate	8.6%

Purchases

– the largest supplier	13.6%
– five largest suppliers in aggregate	28.1%

None of the Directors, their associates or any shareholder of the Company which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in the share capital of the Group's five largest customers and five largest suppliers.

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2018 amounted to HK$9,969.4 million (2017: HK$8,466.4 million). Particulars of the bank borrowings are set forth in Note 21 to the consolidated financial statements in this annual report.

Report of the Directors

REWARD FOR EMPLOYEES

As at 31 December 2018, we employed 11,866 employees in the PRC, Hong Kong, Malaysia, Canada and Japan. Our employees are remunerated with monthly salary, subject to annual review and discretionary bonuses. Our employees are also entitled, subject to eligibility, to retirement fund and provident fund and to participate in the Share Option Scheme. We place strong emphasis on nurturing a continuous learning culture amongst the employees and implement a variety of programs to promote training.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2018 are set forth in note 33 to the consolidated financial statements. The related party transactions as disclosed in note 33 to the consolidated financial statements did not constitute continuing connected transaction/connected transaction under Chapter 14A of the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please see the section headed "**Corporate Governance Report**" set forth in this annual report for details of our compliance with the Corporate Governance Code.

AUDIT COMMITTEE

The Company has established an audit committee, comprising five independent non-executive Directors, with written terms of reference in compliance with the requirements of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and give advice to the Board. The audit committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the financial year ended 31 December 2018.

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

During the year ended 31 December 2018, the Company repurchased a total of 38,458,000 shares on the Stock Exchange. The repurchased shares were cancelled in 2018. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premium paid on these shares upon the repurchase were charged against share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve. The table below sets forth further information of such repurchase:

Month of Repurchase	Number of Shares of HK$0.10 each	Highest price per Share HK$	Lowest price per Share HK$	Aggregate consideration paid HK$'000
May 2018	14,090,000	11.40	10.72	154,791
June 2018	18,328,000	9.38	8.87	166,589
November 2018	6,040,000	8.35	8.09	49,701

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float with at least 25% of the Shares held by the public as required under the Listing Rules.

AUDITOR

The retiring auditor, PricewaterhouseCoopers, has signified its willingness to continue in office. A resolution will be proposed at the Annual General Meeting to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, 15 May 2019, at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 10:30 a.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyiglass.com, and will be dispatched to the shareholders in due course.

On Behalf of the Board
Dr. LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 25 February 2019

Independent Auditor's Report

羅兵咸永道

Independent Auditor's Report
To the Shareholders of Xinyi Glass Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 161, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter identified in our audit is summarised as follows:

- Impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables Refer to Notes 2.12, 4 and 16 to the consolidated financial statements. As at 31 December 2018, the carrying amount of trade receivables of the Group amounting to approximately HK$1,315,211,000. The Group made provision for loss allowance of trade receivables of approximately HK$36,953,000 based on an estimate of the recoverability of these receivables. Provisions are made for provision for loss allowance of trade receivables where the Group expected the balances will not be collectible. The provision for loss allowance of trade receivables requires management judgements and estimations. Where the provision for provision for loss allowance is materially different from the actual debt that is not collectible, such difference will adversely impact the carrying amount of receivables and the provision for loss allowance in the period in which such estimate has been changed. We focused on this area because of the significant judgements involved in determining the collectability of Group's trade receivables and the amount of provision for loss allowance.	We obtained, understood and evaluated management's provision for loss allowance assessment, including the methodology of the assessment. We read the management's assessment for loss allowance and agreed with management's assessment result that certain loss allowance are being made. On a sample basis, we evaluated management's provision for loss allowance assessment by checking the key information adopted in the provision for loss allowance assessment to supportable evidence such as aging analysis, individual customer's creditability assessment, historical payment track records, correspondence on any disputes or claims with the customers and subsequent settlement records to assess whether management judgements involved in determining the collectability of receivables are reasonable and the amount of loss allowance is made based on the estimate of recoverability. Based on the above audit procedures, we found the judgements made by management in respect of the provision for loss allowance assessment on trade receivables to be supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Kwok Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 February 2019

Consolidated Balance Sheet

As at 31 December 2018

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	As at 31 December 2018	2017
ASSETS			
Non-current assets			
Leasehold lands and land use rights	6	**3,744,185**	3,426,887
Property, plant and equipment	7	**13,079,442**	12,929,470
Investment properties	8	**1,674,495**	1,204,983
Prepayments for property, plant and equipment and land use rights	16	**191,677**	299,803
Intangible assets	9	**67,474**	69,721
Financial assets at fair value through other comprehensive income	12	**38,513**	—
Investments in associates	14	**4,679,890**	4,415,663
Loans to an associate	14	**1,025**	26,920
		23,476,701	22,373,447
Current assets			
Inventories	15	**1,754,514**	1,697,566
Loans to an associate	14	**35,833**	52,421
Trade and other receivables	16	**2,675,791**	3,072,045
Available-for-sale financial assets	12	**—**	52,409
Financial assets at fair value through profit and loss	13	**44,090**	—
Pledged bank deposits	17	**14,133**	2,526
Fixed deposits	17	**79,699**	5,982
Cash and cash equivalents	17	**4,598,506**	3,048,604
		9,202,566	7,931,553
Total assets		**32,679,267**	30,305,000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	18	**399,320**	401,766
Share premium	18	**249,821**	534,201
Other reserves	19	**938,284**	2,102,235
Retained earnings	19	**17,037,302**	15,199,009
		18,624,727	18,237,211
Non-controlling interests		**77,534**	68,981
Total equity		**18,702,261**	18,306,192

Consolidated Balance Sheet

As at 31 December 2018

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	As at 31 December 2018	2017
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	21	**6,874,933**	6,398,683
Deferred income tax liabilities	22	**417,671**	335,096
Other payables	20	**81,617**	108,198
		7,374,221	6,841,977
Current liabilities			
Trade, other payables and contract liabilities	20	**2,897,084**	2,554,181
Current income tax liabilities		**611,260**	534,948
Bank and other borrowings	21	**3,094,441**	2,067,702
		6,602,785	5,156,831
Total liabilities		**13,977,006**	11,998,808
Total equity and liabilities		**32,679,267**	30,305,000

The financial statements on pages 53 to 161 were approved by the Board of Directors on 25 February 2019 and were signed on its behalf.

LEE Yin Yee, B.B.S.
Chairman

TUNG Ching Bor
Vice-chairman

The notes on pages 61 to 161 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the Year Ended 31 December 2018

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	2018	2017
Revenue	5	16,014,490	14,727,542
Cost of sales	23	(10,139,138)	(9,283,428)
Gross profit		5,875,352	5,444,114
Other income	25	540,951	387,357
Other gains – net	26	537,456	316,881
Selling and marketing costs	23	(772,266)	(675,195)
Administrative and other operating expenses	23	(1,634,780)	(1,369,887)
Operating profit		4,546,713	4,103,270
Finance income	27	71,205	44,633
Finance costs	27	(213,678)	(151,133)
Share of profits of associates	14	565,900	699,662
Profit before income tax		4,970,140	4,696,432
Income tax expense	28	(722,564)	(682,413)
Profit for the year		4,247,576	4,014,019
Profit attributable to:			
– equity holders of the Company		4,236,806	4,013,764
– non-controlling interests		10,770	255
Profit for the year		4,247,576	4,014,019
Earnings per share for profit attributable to the equity holders of the Company during the year			
(expressed in Hong Kong cents per share)			
– Basic	29	105.71	101.14
– Diluted	29	105.00	99.92

The notes on pages 61 to 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2018

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	2018	2017
Profit for the year	**4,247,576**	4,014,019
Other comprehensive income, net of tax:		
Item that will not be reclassified subsequently to the consolidated income statement:		
Changes in fair value of financial assets at fair value through other comprehensive income	**(13,841)**	—
Items that may be reclassified subsequently to the consolidated income statement:		
Changes in fair value of available-for-sale financial assets	—	14,458
Currency translation differences	**(1,295,620)**	1,549,019
Share of other comprehensive (loss)/income of investments accounted for using the equity method	**(144,246)**	325,389
Total comprehensive income for the year	**2,793,869**	5,902,885
Total comprehensive income for the year is attributable to:		
Equity holders of the Company	**2,783,762**	5,902,005
Non-controlling interests	**10,107**	880
Total comprehensive income for the year	**2,793,869**	5,902,885

The notes on pages 61 to 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2018

(All amounts in Hong Kong dollar thousands unless otherwise stated)

		Attributable to the equity holders of the Company						
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2017 and 1 January 2018		401,766	534,201	2,102,235	15,199,009	18,237,211	68,981	18,306,192
Comprehensive income								
Profit for the year		—	—	—	4,236,806	4,236,806	10,770	4,247,576
Other comprehensive income								
Changes in fair value of financial assets at fair value through other comprehensive income	12	—	—	(13,841)	—	(13,841)	—	(13,841)
Currency translation differences		—	—	(1,294,957)	—	(1,294,957)	(663)	(1,295,620)
Share of other comprehensive loss of investments accounted for using the equity method	14	—	—	(144,246)	—	(144,246)	—	(144,246)
Total comprehensive income		—	—	(1,453,044)	4,236,806	2,783,762	10,107	2,793,869
Transactions with owners								
Employees share option scheme:								
– proceeds from shares issued	18(a)	1,400	82,855	(17,795)	—	66,460	—	66,460
– value of employee services	18(a)	—	—	32,012	—	32,012	—	32,012
– adjustment relating to forfeiture of share options		—	—	(51)	51	—	—	—
Dividend paid to non-controlling interests		—	—	—	—	—	(1,554)	(1,554)
Repurchase and cancellation of shares	18(b)	(3,846)	(367,235)	3,846	(3,846)	(371,081)	—	(371,081)
Transfer to reserve	19(a)	—	—	271,081	(271,081)	—	—	—
Dividends relating to 2017		—	—	—	(1,124,087)	(1,124,087)	—	(1,124,087)
Dividends relating to 2018	30	—	—	—	(999,550)	(999,550)	—	(999,550)
Total transactions with owners		(2,446)	(284,380)	289,093	(2,398,513)	(2,396,246)	(1,554)	(2,397,800)
Balance at 31 December 2018		399,320	249,821	938,284	17,037,302	18,624,727	77,534	18,702,261

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2018

(All amounts in Hong Kong dollar thousands unless otherwise stated)

		Attributable to the equity holders of the Company						
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2016 and 1 January 2017		389,177	1,360,624	(30,973)	11,462,103	13,180,931	65,959	13,246,890
Comprehensive income								
Profit for the year		—	—	—	4,013,764	4,013,764	255	4,014,019
Other comprehensive income								
Changes in fair value of available-for-sale financial assets	12	—	—	14,458	—	14,458	—	14,458
Currency translation differences		—	—	1,548,394	—	1,548,394	625	1,549,019
Share of other comprehensive income of investments accounted for using the equity method	14	—	—	325,389	—	325,389	—	325,389
Total comprehensive income		—	—	1,888,241	4,013,764	5,902,005	880	5,902,885
Transactions with owners								
Employees share option scheme:								
– proceeds from shares issued	18(a)	2,874	228,545	(47,023)	—	184,396	—	184,396
– value of employee services	18(a)	—	—	28,441	—	28,441	—	28,441
– adjustment relating to forfeiture of share options		—	—	(24)	24	—	—	—
Disposal of a subsidiary		—	—	32	—	32	—	32
Dividend paid to non-controlling interests		—	—	—	—	—	(269)	(269)
Issue of ordinary shares related to conversion of the convertible bonds		9,715	663,804	(11,481)	—	662,038	—	662,038
Redemption of convertible bonds		—	1,860	(1,860)	—	—	—	—
Transfer to reserve	19(a)	—	—	276,882	(276,882)	—	—	—
Dividends relating to 2016		—	(919,845)	—	—	(919,845)	—	(919,845)
Dividends relating to 2017	30	—	(800,787)	—	—	(800,787)	—	(800,787)
Total transactions with owners		12,589	(826,423)	244,967	(276,858)	(845,725)	(269)	(845,994)
Transactions with non-controlling interests								
Disposal of interest in a subsidiary without loss of control	11(a)	—	—	—	—	—	2,411	2,411
Balance at 31 December 2017		401,766	534,201	2,102,235	15,199,009	18,237,211	68,981	18,306,192

The notes on pages 61 to 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2018

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	2018	2017
Cash flows from operating activities			
Cash generated from operations	31(a)	5,457,715	4,282,674
Interest paid		(258,959)	(174,343)
Income tax paid		(555,992)	(573,589)
Net cash generated from operating activities		4,642,764	3,534,742
Cash flows from investing activities			
Payment for land use rights		(506,651)	(1,973,870)
Purchase of property, plant and equipment		(1,763,155)	(1,221,551)
Proceeds from disposal of property, plant and equipment	31(b)	144,234	18,577
Additions to investment property		(70,122)	(58,928)
Proceeds from disposal of financial assets at fair value through other comprehensive income/available-for-sale financial assets		79	429
Purchase of financial assets at fair value through profit and loss		(166,963)	—
Proceeds from disposal of financial assets at fair value through profit and loss		116,637	—
Proceeds from disposal of a subsidiary	31(c)	—	784
Proceeds from disposal of freehold land		124,256	—
Addition to investment in an associate	14	(175,362)	(446,375)
Dividends received from associates	14	331,519	314,631
Loan repayment from an associate		38,291	6,086
(Increase)/decrease in pledged bank deposits		(11,607)	2,449
Increase in fixed deposits		(73,717)	(5,982)
Interest received		71,205	44,139
Net cash used in investing activities		(1,941,356)	(3,319,611)

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2018
(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	2018	2017
Cash flows from financing activities			
Proceeds from bank borrowings		**6,989,960**	6,727,000
Repayment of bank borrowings		**(5,486,971)**	(5,190,745)
Redemption of convertible bonds		**—**	(91,435)
Shares repurchased and cancelled		**(371,081)**	—
Net proceeds from issuance of ordinary shares by share options		**66,460**	184,396
Dividends paid to shareholders of the Company		**(2,123,637)**	(1,720,632)
Dividends paid to non-controlling interests		**(1,554)**	(269)
Disposal of interest in a subsidiary without loss of control	11(a)	**—**	2,411
Net cash used in financing activities		**(926,823)**	(89,274)
Net increase in cash and cash equivalents		**1,774,585**	125,857
Cash and cash equivalents at the beginning of the year		**3,048,604**	2,763,072
Effect of foreign exchange rate changes on cash and cash equivalents		**(224,683)**	159,675
Cash and cash equivalent at end of year	17	**4,598,506**	3,048,604

The notes on pages 61 to 161 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

1 GENERAL INFORMATION

Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") were principally engaged in the production and sales of float glass, automobile glass, architectural glass products, which were carried out internationally, through the production complexes located in Mainland China (the "PRC") and Malaysia in 2018.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is a limited liability company incorporated in the Cayman Islands. The shares of the Company are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 February 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit and loss ("FVTPL") and investment properties, which are measured at fair values.

The preparation of 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

During the year, the directors performed a review of the content and presentation of certain account items with insignificant comparative figures to ensure compliance with relevant accounting standards. As a result of this review, the directors considered that, for the year ended 31 December 2017, it is appropriate to reclassify HK$9,881,000 from "finance income" to "other income". The change in presentation of the consolidated income statement did not have any impact on the Group's profit before and after income tax.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

(a) The following new and amended standards are mandatory for accounting periods beginning on or after 1 January 2018. The adoption of these new and amended standards does not have any significant impact to the results and financial position of the Group, other than those disclosed in Note 2.2:

Annual Improvements Project	Annual Improvements 2014 – 2016 Cycle
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 1 (Amendment)	First time adoption of HKFRS
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet by leasees, 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 Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group had non-cancellable operating lease commitments of HK$78,000 (Note 32). These commitments relate to short-term leases which will be recognised on a straight-line basis as expense in the consolidated income statement.

The Group does not foresee any material impact on the net profit of the Group as a result of adoption of HKFRS 16.

HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. The Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES

The following 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 and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior years.

(a) Impact on the 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 below.

Consolidated balance sheet (extract)	31 Dec 2017 As originally presented HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 Restated HK$'000
Current assets				
Financial assets at FVOCI	—	—	52,409	**52,409**
Available-for-sale financial assets	52,409	—	(52,409)	—
Current liabilities				
Other payables	310,575	(310,575)	—	—
Contract liabilities	—	310,575	—	**310,575**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) *HKFRS 9 "Financial Instruments"*

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

The adoption of HKFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are sent out in Notes 2.12.

(i) Classification and measurement

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	**Financial assets at FVOCI**	**Available-for-sale financial assets**
Closing balance 31 December 2017 – HKAS 39	—	52,409
Reclassify non-trading equities from available-for-sale financial assets to Financial assets at FVOCI	52,409	(52,409)
Opening balance 1 January 2018 – HKFRS 9	52,409	—

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

Financial assets – 1 January 2018	**FVOCI reserve**	**Available-for-sale reserve**
Closing balance 31 December 2017 – HKAS 39	—	14,458
Reclassify financial assets from available-for-sale financial assets to financial assets at FVOCI	14,458	(14,458)
Opening balance – HKFRS 9	14,458	—

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale financial assets, because these investments are neither held for trading nor contingent consideration recognised by an acquirer. As a result, assets with a fair value of HK$52,409,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of HK$14,458,000 were reclassified from the available-for-sale reserve to the FVOCI reserve on 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) *HKFRS 9 "Financial instruments"* (Continued)

(ii) Reclassifications 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:

	Measurement category		Carrying amount	
	Original (HKAS 39)	New (HKFRS 9)	Original HK$'000	New HK$'000
Non-current financial assets				
Loans to an associate	Amortised cost	Amortised cost	26,920	26,920
Current financial assets				
Loans to an associate	Amortised cost	Amortised cost	52,421	52,421
Available for sale financial assets	Available for sale	FVOCI	52,409	52,409
Trade and other receivables excluding prepayments	Amortised cost	Amortised cost	2,700,149	2,700,149
Pledged bank deposits	Amortised cost	Amortised cost	2,526	2,526
Fixed deposits	Amortised cost	Amortised cost	5,982	5,982
Cash and cash equivalents	Amortised cost	Amortised cost	3,048,604	3,048,604
Non-current financial liabilities				
Bank and other borrowings	Amortised cost	Amortised cost	6,398,683	6,398,683
Other payables	Amortised cost	Amortised cost	108,198	108,198
Current financial liabilities				
Bank and other borrowings	Amortised cost	Amortised cost	2,067,702	2,067,702
Trade and other payables excluding non-financial liabilities	Amortised cost	Amortised cost	1,981,415	1,981,415

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) *HKFRS 9 "Financial instruments"* (Continued)

(iii) Impairment of financial assets

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

- trade receivables
- other receivables and loans to an associate

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 pledged bank deposits, fixed deposits and cash and cash equivalents are also subject to impairment requirements of HKFRS 9, the identified impairment loss was also immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The resulted increase of loss allowance for trade receivables on 1 January 2018 was immaterial. Note 3.1(b) provides for details about the calculation of the allowance.

Other receivables and loans to an associate

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

(c) 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.

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 Dec 2017 HK$'000	Reclassification HK$'000	HKFRS 15 carrying amount 1 January 2018 HK$'000
Other payables	310,575	(310,575)	—
Contract liabilities	—	310,575	**310,575**

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 trade and other payables, amounting to HK$310,575,000 as at 1 January 2018, are now recognised as contract liabilities (as included in trade, other payables and contract liabilities) to reflect the terminology of HKFRS 15.

<u>Estimated impact on the Group's consolidated financial statements for the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018.</u>

By comparing the amounts reported under HKFRS 15 in the Group's consolidated financial statements, with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if this superseded standard had continued to apply to consolidated financial statements for the year end 31 December 2018 instead of HKFRS 15, the impact of the adoption of HKFRS 15 on the Group's consolidated balance sheet as at 31 December 2018 would be similar to that of 1 January 2018 disclosed above. As a result of the adoption of HKFRS 15, contract liabilities, rather than other payables, of HK$292,948,000 is recognised in the Group's consolidated balance sheet as at 31 December 2018.

In addition, there is no material impact of adoption of HKFRS 15 on the Group's consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flow for the year ended 31 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 SUBSIDIARIES (Continued)

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 ASSOCIATES

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interest in associates are recognised in the consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement where appropriate.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits of associates" in the consolidated income statement.

2.5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within "Other gains - net".

Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at FVTPL are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as FVOCI are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 FOREIGN CURRENCY TRANSLATION (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.7 LEASEHOLD LANDS AND LAND USE RIGHTS

Lands in the PRC are state-owned or collectively-owned with no individual land ownership right exists. The Group acquired the rights to use certain lands. The premiums paid for such right are treated as prepayments for operating leases and recorded as leasehold lands and land use rights, which are amortised over the lease period using the straight-line method.

2.8 PROPERTY, PLANT AND EQUIPMENT

Freehold land is stated at historical cost less subsequent impairment losses.

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

– Buildings	20-30 years
– Plant and machinery	5-20 years
– Office equipment	3-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings and plants, plant and machinery on which construction work has not been completed and which, upon completion, management intends to hold for production purposes. Construction in progress is carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, construction in progress is transferred to appropriate categories of property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains – net" in the consolidated income statement.

2.9 INVESTMENT PROPERTIES

Investment properties, principally comprising leasehold lands and office buildings, are held for long-term rental yields, capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, including related transaction costs and interest expense capitalised. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "Other gains – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 INTANGIBLE ASSETS

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) *Trademark, customer relationship and patent*

Trademark, customer relationship and patent acquired in a business combination are recognised at fair value at the acquisition date. Trademark, customer relationship and patent have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademark, customer relationship and patent over their estimated useful lives of 3 - 20 years.

(c) *Capitalised exploration, evaluation and mining right expenditure*

Costs directly associated with an exploration well and exploration (researching and analysing existing exploration data; exploratory drilling, trenching and sampling, examining and testing extraction and treatment methods; obtaining legal exploration or mining rights) are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and the costs are amortised using the units of production method according to the proved reserves. No depreciation and/or amortisation is charged during the exploration and evaluation phrase.

Capitalised exploration, evaluation and mining right expenditure are tested for impairment, when reclassified to development tangible or intangible assets (if appropriate), or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration, evaluation and mining right expenditure's carrying amount exceeds their recoverable amount. The recoverable amount is the higher of their fair value less costs to sell and their value in use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are highly independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS

(a) Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in the consolidated income statement or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

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

(b) Recognition and derecognition

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in consolidated income statement.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in "Other gains – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated income statement and recognised in "Other gains – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains – net" and impairment expenses are presented as separate line item in the consolidated income statement.

At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this Standard that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies. If an entity makes the election, changes in fair value recognised in other comprehensive income will not reclassified to profit and loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in consolidated income statement and presented net within "Other gains – net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

(c) Measurement (Continued)

Equity instruments

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

Changes in the fair value of financial assets at FVTPL are recognised in "Other gains – net" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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

(d) Impairment

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(e) Accounting policies applied until 31 December 2017

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

Classification

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

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

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of "loans to an associate", "trade and other receivables", "pledged bank deposits", "fixed deposits" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.15 and 2.16).

(ii) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVTPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The available-for-sale financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Recognition and derecognition

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

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

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in consolidated income statement.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

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

Measurement (Continued)

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

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

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest on available-for-sale securities and loans and receivables calculated using the effective interest method is recognised in the consolidated income statement as part of revenue from continuing operations.

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

2.13 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount are reported in the consolidated balance sheet when the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or counterparties.

2.14 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses.

2.16 CASH AND BANK BALANCES

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, less pledged bank deposits.

2.17 SHARE CAPITAL

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.18 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 BORROWINGS COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

2.20 CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 CURRENT AND DEFERRED INCOME TAX (Continued)

(b) Deferred income tax (Continued)

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.21 PROVISIONS

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 EMPLOYEE BENEFITS

(a) *Pension obligations*

The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Employee leave entitlements*

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

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

(c) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 SHARE-BASED PAYMENTS

(a) *Equity-settled share-based payment transactions*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(b) *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.24 TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 FINANCIAL GUARANTEE

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

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

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

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

2.26 GOVERNMENT GRANTS

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

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

2.27 REVENUE RECOGNITION

The Group manufactures and sells glass products. Revenue from sales of glass products are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with market practice.

Receivable is recognised when the goods are delivered as this is the point in time that the consideration become unconditional and only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 OPERATING LEASES (AS THE LESSEE FOR OPERATING LEASES)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.29 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.30 INTEREST INCOME

Interest income on financial assets at amortised cost, (2017: loans and receivables) calculated using the effective interest method is recognised in the consolidated income statement as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes (Note 27). Any other interest income is included in other income.

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

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk, price risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong with most of the transactions denominated and settled in Chinese Renminbi ("RMB") and HK$. Foreign exchange risk arises from future commercial transactions, acquired assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews and arranges hedges against foreign exchange exposures when considered necessary. Details of the Group's trade and other receivables, pledged bank deposits, fixed deposits, cash and bank balances, trade and other payables, and bank and other borrowings are disclosed in Notes 16, 17, 20 and 21 to the consolidated financial statements.

As at 31 December 2018, if RMB had strengthened/weakened by 5% (2017: 5%) against the HK$ with all other variables held constant, profit after income tax for the year would have been approximately HK$529,000 (2017: HK$347,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated cash and bank balances.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents, fixed deposits, pledged bank deposits and bank and other borrowings. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents, fixed deposits, pledged bank deposits and bank and other borrowings have been disclosed in Notes 17 and 21 to the consolidated financial statements.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(a) *Market risk* (Continued)

(ii) **Cash flow and fair value interest rate risk** (Continued)

As at 31 December 2018, if HK$ interest rates on cash and cash equivalents, fixed deposits, pledged bank deposits and bank borrowings had been 25 (2017: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$16,815,000 (2017: HK$14,189,000) lower/higher, mainly as a result of higher/lower net interest expense on cash and cash equivalents, fixed deposits, pledged bank deposits and bank borrowings.

As at 31 December 2018, if RMB interest rates on cash and cash equivalents, fixed deposits and pledged bank deposits had been 25 (2017: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$8,813,000 (2017: HK$5,556,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

As at 31 December 2018, if USD interest rates on cash and bank balances and pledged bank deposits had been 25 (2017: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$517,000 (2017: HK$371,000) higher/lower, mainly as a result of higher net interest income on cash and cash equivalents and pledged bank deposits.

(b) *Credit risk*

The Group's credit risk arises from cash and cash equivalents, fixed bank deposits, pledged bank deposits, trade and other receivables and loans to an associate. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2018	2017
Cash and cash equivalent at bank	**4,594,729**	3,045,756
Fixed deposits *(Note 17)*	**79,699**	5,982
Pledged bank deposits *(Note 17)*	**14,133**	2,526
Trade and other receivables excluding prepayments	**2,277,491**	2,700,149
Loans to an associate *(Note 14)*	**36,858**	79,341
Maximum exposure to credit risk	**7,002,910**	5,833,754

As at 31 December 2018 and 2017, most of the bank deposits are deposited with reputable banks in Hong Kong and state-owned banks in the PRC. The credit quality of cash and bank balances has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) Credit risk (Continued)

In respect of trade and other receivables and loans to an associate, the Group has policies in place to ensure that the loans or sales of products are made to counterparties or customers with appropriate credit history and the Group performs credit evaluations of these counterparties and its customers.

The credit period of the majority of the Group's trade receivables is within 90 days and largely comprises amounts receivable from business customers.

There is some concentration of credit risks of the Group (Note 16(b)).

In order to minimise the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provision for expected credit losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group's significant financial assets which are subject to the new expected credit loss model include trade and other receivables. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of financial assets.

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

Trade receivables

The Group applies HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on aging.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) *Credit risk* (Continued)

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables:

31 December 2018	0 – 90 days	91 – 180 days	181 – 365 days	1 – 2 years	Over 2 years	Total
Expected loss rate	0%	0%	0%	60%	100%	
Gross carrying amount	940,454	206,186	115,030	41,167	12,374	1,315,211
Loss allowance	—	—	—	24,579	12,374	36,953

1 January 2018	0 – 90 days	91 – 180 days	181 – 365 days	1 – 2 years	Over 2 years	Total
Expected loss rate	0%	0%	0%	38%	100%	
Gross carrying amount	982,889	185,597	65,889	13,550	33,352	1,281,277
Loss allowance	—	—	—	5,155	33,352	38,507

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 2 years past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) *Credit risk* (Continued)

Previous accounting policy for impairment of trade receivables

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

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

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

(c) *Price risk*

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet as financial assets at FVOCI (Note 12) and financial assets at FVTPL (Note 13).

The Group does not have formal policy to manage its price risk arising from investments in equity security.

With all other variables held constant, if the market price of financial assets at FVOCI measured at fair value had been 10% higher/lower than the actual closing price as at year end, the equity as at 31 December 2018 would increase/decrease by approximately HK$3,851,000 (2017: HK$5,241,000).

With all other variables held constant, if the market price of financial assets at FVTPL measured at fair value had been 10% higher/lower than the actual closing price as at year end, the equity as at 31 December 2018 would increase/decrease by approximately HK$4,409,000 (2017: Nil).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At 31 December 2018				
Bank borrowings and interest payables	**3,386,100**	**4,414,778**	**2,682,725**	**10,483,603**
Trade and other payables excluding non-financial liabilities	**2,040,590**	**81,617**	**—**	**2,122,207**
Total	**5,426,690**	**4,496,395**	**2,682,725**	**12,605,810**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At 31 December 2017				
Bank borrowings and interest payables	2,257,052	2,975,362	3,608,539	8,840,953
Trade and other payables excluding non-financial liabilities	1,670,840	108,198	—	1,779,038
Total	3,927,892	3,083,560	3,608,539	10,619,991

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents, fixed deposits and pledged bank deposits.

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

	2018	2017
Total bank and other borrowings *(Note 21)*	**9,969,374**	8,466,385
Less: cash and cash equivalents, fixed deposits and pledged bank deposits *(Note 17)*	**(4,692,338)**	(3,057,112)
Net debt	**5,277,036**	5,409,273
Total equity	**18,702,261**	18,306,192
Gearing ratio	**28.2%**	29.5%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities (other than investments properties disclosed in Note 8) that are measured at fair value at 31 December 2018 and 2017.

	Level 1	Level 2	Level 3	Total
At 31 December 2018				
Assets				
Financial assets at FVOCI				
– Equity securities	**38,513**	—	—	**38,513**
Financial assets at FVTPL				
– Equity securities	**44,090**	—	—	44,090

	Level 1	Level 2	Level 3	Total
At 31 December 2017				
Assets				
Available-for-sale financial assets				
– Equity securities	52,409	—	—	52,409

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 FAIR VALUE ESTIMATION (Continued)

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market prices for financial assets at FVOCI and FVTPL used by the Group are the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(A) PROPERTY, PLANT AND EQUIPMENT

(i) Useful lives

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non- strategic assets that have been abandoned or sold.

(ii) Impairment assessment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information, past experience and the sustainability of the financial performance in the foreseeable future.

(B) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The Group makes provision for expected credit losses of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for expected credit losses in the period in which such estimate has been changed.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(C) CURRENT AND DEFERRED INCOME TAX

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax liabilities of the Group mainly arise from fair value gain from investment properties and unremitted earnings of the PRC subsidiaries. The realisability of the deferred income tax liabilities and assets mainly depend on its subsidiaries' dividend pay-out ratio and whether sufficient future profits or taxable temporary differences will be available in the future, whichever is applicable. In cases where the actual dividend pay-out ratio is more than expected or future profits generated are less than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

(D) FAIR VALUE OF INVESTMENT PROPERTIES

Investment properties are carried at their fair values at 31 December 2018 amounting to HK$1,674,495,000 (2017: HK$1,204,983,000). The fair values were based on a valuation on these properties conducted by independent professionally qualified valuers using property valuation techniques which involve certain assumptions of market conditions. Favorable or unfavorable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in the consolidated income statement. Information about the valuation of investment properties is provided in Note 8.

5 SEGMENT INFORMATION

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

The executive directors consider the business from an operational perspective. Generally, the executive directors consider the performance of business of each operating segment within the Group separately. Thus, each business within the Group is an individual operating segment.

Among these operating segments, they are aggregated into three segments based on the products sold: (1) float glass; (2) automobile glass; and (3) architectural glass.

The executive directors assess the performance of the operating segments based on a measure of gross profit. The Group does not allocate operating costs to its segments as this information is not reviewed by the executive directors.

Sales between segments are carried out at terms mutually agreed by both parties. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated income statement.

The segment information provided to the executive directors for the reportable segments as at and for the year ended 31 December 2018 is as follows:

	Float glass	Automobile glass	Architectural glass	Unallocated	Total
Segment revenue	10,390,576	4,251,854	3,338,242	—	17,980,672
Inter-segment revenue	(1,966,182)	—	—	—	(1,966,182)
Revenue from external customers *(Note)*	8,424,394	4,251,854	3,338,242	—	16,014,490
Cost of sales	(5,693,034)	(2,385,931)	(2,060,173)	—	(10,139,138)
Gross profit	2,731,360	1,865,923	1,278,069	—	5,875,352
Depreciation charge of property, plant and equipment *(Note 23)*	698,410	115,312	97,720	5,555	916,997
Amortisation charge					
– leasehold lands and land use rights *(Note 23)*	20,830	4,423	2,352	57,079	84,684
– intangible assets *(Note 23)*	—	2,215	—	—	2,215
(Increase)/decrease in provision for loss allowance, net *(Note 23)*	—	(2,329)	9,714	—	7,385
Share of profits of associates *(Note 14)*	—	—	—	565,900	565,900

Note:

The Group's revenue from all segments during year ended 31 December 2018 have been recognised at point in time.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

	Assets and liabilities				
	Float glass	Automobile glass	Architectural glass	Unallocated	Total
Total assets	13,708,260	5,395,133	2,593,738	10,982,136	32,679,267
Total assets included:					
Investments in associates *(Note 14)*	—	—	—	4,679,890	4,679,890
Loans to an associate *(Note 14)*	—	—	—	36,858	36,858
Investment properties *(Note 8)*	—	—	—	1,674,495	1,674,495
Additions to non-current assets (other than financial assets at FVOCI)	1,965,450	260,593	76,128	151,019	2,453,190
Total liabilities	1,692,311	769,501	165,005	11,350,189	13,977,006

The segment information provided to the executive directors for the reportable segments as at and for the year ended 31 December 2017 is as follows:

	Float glass	Automobile glass	Architectural glass	Unallocated	Total
Segment revenue	9,775,908	3,910,000	2,800,632	—	16,486,540
Inter-segment revenue	(1,758,998)	—	—	—	(1,758,998)
Revenue from external customers	8,016,910	3,910,000	2,800,632	—	14,727,542
Cost of sales	(5,473,884)	(2,074,352)	(1,735,192)	—	(9,283,428)
Gross profit	2,543,026	1,835,648	1,065,440	—	5,444,114
Depreciation charge of property, plant and equipment *(Note 23)*	613,142	103,148	123,624	5,711	845,625
Amortisation charge					
– leasehold lands and land use rights *(Note 23)*	20,125	4,211	2,549	45,894	72,779
– intangible assets *(Note 23)*	—	2,154	—	—	2,154
(Reversal of provision for)/provision for impairment of trade receivables, net *(Note 23)*	(8,272)	(558)	2,086	—	(6,744)
Share of profits of associates *(Note 14)*	—	—	—	699,662	699,662

5 SEGMENT INFORMATION (Continued)

	Float glass	Automobile glass	Architectural glass	Unallocated	Total
Total assets	11,709,688	5,423,473	2,818,690	10,353,149	30,305,000
Total assets included:					
Investments in associates *(Note 14)*	—	—	—	4,415,663	4,415,663
Loans to an associate *(Note 14)*	—	—	—	79,341	79,341
Investment properties *(Note 8)*	—	—	—	1,204,983	1,204,983
Additions to non-current assets (other than available-for-sale financial assets)	853,816	204,994	55,976	2,695,932	3,810,718
Total liabilities	2,141,236	716,579	318,212	8,822,781	11,998,808

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

	2018	2017
Segment gross profit	**5,875,352**	5,444,114
Unallocated:		
Other income	**540,951**	387,357
Other gains – net	**537,456**	316,881
Selling and marketing costs	**(772,266)**	(675,195)
Administrative and other operating expenses	**(1,634,780)**	(1,369,887)
Finance income	**71,205**	44,633
Finance costs	**(213,678)**	(151,133)
Share of profits of associates	**565,900**	699,662
Profit before income tax	**4,970,140**	4,696,432

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

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

	Assets		Liabilities	
	2018	2017	**2018**	2017
Segment assets/(liabilities)	**21,697,131**	19,951,851	**(2,626,817)**	(3,176,027)
Unallocated:				
Leasehold lands and land use rights	**2,221,378**	2,391,488	**—**	—
Property, plant and equipment	**1,442,776**	1,548,274	**—**	—
Investment properties	**1,674,495**	1,204,983	**—**	—
Prepayments for property, plant and equipment and land use rights	**1,656**	6,366	**—**	—
Available-for-sale financial assets	**—**	52,409	**—**	—
Financial assets at FVOCI	**38,513**	—	**—**	—
Financial assets at FVTPL	**44,090**	—	**—**	—
Investments in associates	**4,679,890**	4,415,663	**—**	—
Balances with associates	**36,858**	79,341	**—**	—
Prepayments, deposits and other receivables	**465,210**	346,271	**—**	—
Cash and bank balances	**377,270**	308,354	**—**	—
Other payables	**—**	—	**(869,201)**	(538,595)
Current income tax liabilities	**—**	—	**(93,943)**	(95,296)
Deferred income tax liabilities	**—**	—	**(417,671)**	(335,096)
Bank and other borrowings	**—**	—	**(9,969,374)**	(7,853,794)
Total assets/(liabilities)	**32,679,267**	30,305,000	**(13,977,006)**	(11,998,808)

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

5 SEGMENT INFORMATION (Continued)

Breakdown of the revenue from the sales of products is as follows:

	2018	2017
Sales of float glass	8,424,394	8,016,910
Sales of automobile glass	4,251,854	3,910,000
Sales of architectural glass	3,338,242	2,800,632
Total	16,014,490	14,727,542

The Group's revenue is mainly derived from customers located in Greater China (including Hong Kong and the PRC), North America and Europe whilst the Group's business activities are conducted predominately in Greater China. An analysis of the Group's sales by geographical area of its customers is as follows:

	2018	2017
Greater China	11,437,932	10,774,385
North America	1,621,704	1,489,496
Europe	510,437	434,091
Other countries	2,444,417	2,029,570
	16,014,490	14,727,542

An analysis of the Group's non-current assets other than financial assets at FVOCI (there are no deferred income tax assets) by geographical area in which the assets are located is as follows:

	2018	2017
Greater China	21,417,300	21,127,344
North America	9,786	8,802
Malaysia	2,011,069	1,235,211
Other countries	33	2,090
	23,438,188	22,373,447

None of a single customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2018 (2017: None).

Sales of goods are recognised at a point in time when a group entity has delivered products to the customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

6 LEASEHOLD LANDS AND LAND USE RIGHTS

The Group's interests in leasehold lands and land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	2018	2017
At 1 January	3,426,887	1,121,020
Currency translation differences	(163,659)	81,296
Additions	572,209	2,299,569
Amortisation of prepaid operating lease payments	(84,684)	(72,779)
Transfer to investment properties *(Note 8)*	(6,568)	(2,219)
At 31 December	3,744,185	3,426,887

For the year ended 31 December 2018, amortisation of the Group's land use rights amounted to HK$84,684,000 (2017: HK$72,779,000) were charged to the consolidated income statement (Note 23).

7 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Freehold land	Buildings	Plant and machinery	Office equipment	Total
At 1 January 2017						
Cost	1,046,779	—	3,531,555	11,532,974	63,399	16,174,707
Accumulated depreciation	—	—	(634,546)	(3,662,648)	(46,876)	(4,344,070)
Net book amount	1,046,779	—	2,897,009	7,870,326	16,523	11,830,637
Year ended 31 December 2017						
Opening net book amount	1,046,779	—	2,897,009	7,870,326	16,523	11,830,637
Currency translation differences	98,305	—	205,000	584,594	472	888,371
Additions	990,229	76,716	29,115	126,207	15,249	1,237,516
Transfers	(1,664,395)	—	177,958	1,485,533	904	—
Transfer to investment properties *(Note 8)*	—	—	(16,928)	—	—	(16,928)
Disposals	—	—	(1,798)	(33,474)	(139)	(35,411)
Depreciation charge	—	—	(164,394)	(790,380)	(15,836)	(970,610)
Disposal of a subsidiary	—	—	—	(4,105)	—	(4,105)
Closing net book amount	470,918	76,716	3,125,962	9,238,701	17,173	12,929,470
At 31 December 2017						
Cost	470,918	76,716	3,967,312	13,888,636	82,076	18,485,658
Accumulated depreciation	—	—	(841,350)	(4,649,935)	(64,903)	(5,556,188)
Net book amount	470,918	76,716	3,125,962	9,238,701	17,173	12,929,470

(All amounts in Hong Kong dollar thousands unless otherwise stated)

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Construction in progress	Freehold land	Buildings	Plant and machinery	Office equipment	Total
Year ended 31 December 2018						
Opening net book amount	470,918	76,716	3,125,962	9,238,701	17,173	12,929,470
Currency translation differences	(14,861)	—	(146,028)	(422,390)	(1,746)	(585,025)
Additions	1,585,240	188,182	20,212	148,782	17,571	1,959,987
Transfers	(1,509,433)	—	721,392	788,041	—	—
Transfer to investment properties *(Note 8)*	(26,529)	—	(50,213)	—	—	(76,742)
Disposals	—	(138,062)	—	(17,330)	(118)	(155,510)
Depreciation charge	—	—	(162,941)	(812,603)	(17,194)	(992,738)
Closing net book amount	505,335	126,836	3,508,384	8,923,201	15,686	13,079,442
At 31 December 2018						
Cost	505,335	126,836	4,477,832	14,135,357	94,876	19,340,236
Accumulated depreciation	—	—	(969,448)	(5,212,156)	(79,190)	(6,260,794)
Net book amount	505,335	126,836	3,508,384	8,923,201	15,686	13,079,442

Depreciation expense of approximately HK$845,204,000 (2017: HK$789,525,000) has been charged in cost of sales and HK$71,793,000 (2017: HK$56,100,000) in administrative and other operating expenses and HK$342,524,000 (2017: HK$266,782,000) has been capitalised in inventories.

During the year, the Group capitalised borrowing costs amounted to HK$45,281,000 (2017: HK$32,375,000) on qualifying assets (Note 27). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.62% (2017: 2.19%) per annum.

8 INVESTMENT PROPERTIES

	2018	2017
At 1 January	**1,204,983**	546,709
Currency translation differences	**(51,693)**	42,132
Additions	**60,523**	146,285
Fair value gains *(Note 26)*	**377,372**	450,710
Transferred from property, plant and equipment *(Note 7)*	**76,742**	16,928
Transferred from leasehold lands and land use rights *(Note 6)*	**6,568**	2,219
At 31 December	**1,674,495**	1,204,983

As at 31 December 2018, the Group had five (2017: four) investment properties located in the PRC and one (2017: one) investment property in Hong Kong. The Group obtained independent valuations from Grant Sherman Appraisal Limited for three investment properties located in the PRC and an investment property in Hong Kong (2017: same) and from Vigers Hong Kong Limited for one investment property located in the PRC (2017: none).

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2018 and 2017 by independent professionally qualified valuers who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer and group senior management for discussions in relation to the valuation processes and the reasonableness of the valuation results.

At each financial year end the Group's finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

8 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group (Continued)

The following table analyses the investment properties carried at their fair values, by valuation method, and an investment property carried at cost.

	2018	2017
Fair value hierarchy (level 3):		
– Commercial building under construction - Xiamen, the PRC	1,331,323	1,058,627
– Commercial building 1 - Shenzhen, the PRC	49,072	52,405
– Commercial building 3 - Shenzhen, the PRC	116,816	—
– Office unit - Wuhu, the PRC	98,487	25,045
– Office unit - Hong Kong	75,880	65,840
	1,671,578	1,201,917
At cost:		
– Commercial building 2 - Shenzhen, the PRC *(Note)*	2,917	3,066
	1,674,495	1,204,983

Note: As at 31 December 2018, the fair value of this investment property could not be reliably measured as the market for comparable properties was inactive due to the Group was in the process of obtaining the property ownership certificates in respect of property interests held. In addition, alternative for reliably measurement of fair value of the property was not available. In the opinion of directors, the absence of the property ownership certificate to this property interests does not impair the carrying amount to the Group as the Group has paid the full purchase consideration of this property interests and the probability of being evicted on the ground of an absence of property ownership certificates is remote.

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

8 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Commercial building under construction - Xiamen, the PRC	Commercial building 1 – Shenzhen, the PRC	Commercial building 3 – Shenzhen, the PRC	Office unit – Wuhu, the PRC	Office unit – Hong Kong	Total
At 1 January 2018	1,058,627	52,405	—	25,045	65,840	1,201,917
Currency translation differences	(48,789)	(2,543)	834	(1,046)	—	(51,544)
Additions	60,523	—	—	—	—	60,523
Transfer from property, plant and equipment	—	—	—	50,213	—	50,213
Transfer from construction in progress	—	—	26,529	—	—	26,529
Transfer from leasehold lands and land use rights	—	—	—	6,568	—	6,568
Fair value gains/(losses) *(Note 26)*	260,962	(790)	89,453	17,707	10,040	377,372
At 31 December 2018	1,331,323	49,072	116,816	98,487	75,880	1,671,578
Total gains/(losses) for the year included in the consolidated income statement for assets held at the end of year	260,962	(790)	89,453	17,707	10,040	377,372
Change in unrealised gains for the year included in the consolidated income statement for assets held at the end of year	260,962	(790)	89,453	17,707	10,040	377,372

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

8 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group (Continued)

	Commercial building under construction – Xiamen, the PRC	Commercial Building 1 – Shenzhen, the PRC	Office unit – Wuhu, the PRC	Office unit – Hong Kong	Total
At 1 January 2017	433,549	48,308	—	62,000	543,857
Currency translation differences	38,218	3,625	75	—	41,918
Additions	146,285	—	—	—	146,285
Transfer from property, plant and equipment	—	—	16,928	—	16,928
Transfer from leasehold lands and land use rights	—	—	2,219	—	2,219
Fair value gains *(Note 26)*	440,575	472	5,823	3,840	450,710
At 31 December 2017	1,058,627	52,405	25,045	65,840	1,201,917
Total gains for the year included in the consolidated income statement for assets held at the end of year	440,575	472	5,823	3,840	450,710
Change in unrealised gains for the year included in the consolidated income statement for assets held at the end of year	440,575	472	5,823	3,840	450,710

8 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2018	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Commercial building under construction – Xiamen, the PRC	1,331,323 (2017: 1,058,627)	Based on current prices in an active market for similar properties in the same location and condition and subject to similar lease (2017: Based on current price in an active market for similar properties in the same location and condition and subject to similar lease and construction costs budget)	Market value (2017: same)	HK$22,771 - HK$36,434 per square meter (HK$27,325 per square meter) (2017: HK$27,000 - HK$30,400 per square meter (HK$28,679 per square meter))	The higher the market value, the higher the fair value
Commercial building 1 - Shenzhen, the PRC	49,072 (2017: 52,405)	Discounted cash flows (2017: same)	Discount rate (2017: same)	5.25% per annum (2017: 5.25% per annum)	The higher the discount rate, the lower the fair value
			Rental value (2017: same)	HK$3,075,000 – HK$3,759,000 per annum (HK$3,075,000 per annum) (2017: HK$3,200,000 – HK$3,661,000 per annum (HK$3,430,000 per annum)	The higher the rental value, the higher the fair value
Commercial building 3 – Shenzhen, the PRC	116,816 (2017: N/A)	Based on current price in an active market for similar properties in the same location and condition subject to similar lease (2017: N/A)	Discount rate (2017: same)	5.5% per annum (2017: same)	The higher the discount rate, the lower the fair value
			Recent market price (2017: N/A)	HK$38,028 – HK$43,265 per square meter (HK$38,028 per square meter) (2017: N/A)	The higher the market value, the higher the fair value

(All amounts in Hong Kong dollar thousands unless otherwise stated)

8 INVESTMENT PROPERTIES (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

Description	Fair value at 31 December 2018	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Office unit - Wuhu, the PRC	98,487 (2017: 25,045)	Based on current price in an active market for similar properties in the same location and condition and subject to similar lease (2017: Same)	Market value (2017: Same)	HK$4,839 – HK$8,101 per square meter (HK$7,970 per square meter (2017: HK$5,085 – HK$7,866 per square meter (HK$6,475 per square meter))	The higher the market value, the higher the fair value
Office unit - Hong Kong	75,880 (2017: 65,840)	Based on current price in an active market for similar properties in the same location and condition and subject to similar lease (2017: same)	Recent market price (2017: same)	HK$18,035 - HK$21,873 per square feet (HK$20,000 per square feet) (2017: HK$16,800 - HK$19,240 per square feet (HK$18,020 per square feet))	The higher the market value, the higher the fair value
			Level adjustment (2017: same)	2% - 5% (3.5%) (2017: same)	The higher the level, the higher the fair value
			View adjustment (2017: same)	0% - 10% (5%) (2017: same)	The better the view, the higher the fair value

There were no changes to the valuation techniques during the year.

9 INTANGIBLE ASSETS

	Goodwill	Trademark	Customer relationship	Patent	Capitalised exploration, evaluation and mining right expenditure	Total
At 1 January 2017						
Cost	55,877	20,306	5,404	7,716	5,289	94,592
Accumulated amortisation and impairment	—	(9,943)	(2,647)	(5,010)	(5,289)	(22,889)
Net book amount	55,877	10,363	2,757	2,706	—	71,703
Year ended 31 December 2017						
Opening net book amount	55,877	10,363	2,757	2,706	—	71,703
Currency translation differences	—	—	—	172	—	172
Amortisation charge *(Note 23)*	—	(1,084)	(288)	(782)	—	(2,154)
Closing net book amount	55,877	9,279	2,469	2,096	—	69,721
At 31 December 2017						
Cost	55,877	20,306	5,404	8,294	—	89,881
Accumulated amortisation and impairment	—	(11,027)	(2,935)	(6,198)	—	(20,160)
Net book amount	55,877	9,279	2,469	2,096	—	69,721
Year ended 31 December 2018						
Opening net book amount	**55,877**	**9,279**	**2,469**	**2,096**	**—**	**69,721**
Currency translation differences	**—**	**—**	**—**	**(32)**	**—**	**(32)**
Amortisation charge *(Note 23)*	**—**	**(1,085)**	**(288)**	**(842)**	**—**	**(2,215)**
Closing net book amount	**55,877**	**8,194**	**2,181**	**1,222**	**—**	**67,474**
At 31 December 2018						
Cost	**55,877**	**20,306**	**5,404**	**7,892**	**—**	**89,479**
Accumulated amortisation and impairment	**—**	**(12,112)**	**(3,223)**	**(6,670)**	**—**	**(22,005)**
Net book amount	**55,877**	**8,194**	**2,181**	**1,222**	**—**	**67,474**

Amortisation charge of HK$2,215,000 (2017: HK$2,154,000) has been included in administrative and other operating expenses in the consolidated income statement (Note 23).

(All amounts in Hong Kong dollar thousands unless otherwise stated)

9 INTANGIBLE ASSETS (Continued)

IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash-generating units identified according to operating segment. For the purposes of impairment testing, goodwill has been allocated to the automobile glass operating segment.

The recoverable amount of the automobile glass operating segment is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with estimated compound annual growth rate of 5.0% (2017: 5.0%). Cash flows beyond the five-year period are extrapolated using the terminal growth rate of 3% (2017: 2%).

Management determined forecast profitability based on past performance and its expectation of future changes in costs and sales prices. Future cash flows are discounted at 9.8% (2017: 7.36%) per annum. The discount rate used is pre-tax and reflects specific risks relating to this operating segment.

Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

10 FINANCIAL INSTRUMENTS BY CATEGORY

	2018	2017
Financial assets as per consolidated balance sheet		
Financial assets at FVOCI *(Note 12)*	38,513	—
Financial assets at FVTPL *(Note 13)*	44,090	—
Available-for-sale financial assets *(Note 12)*	—	52,409
Loans to an associate *(Note 14)*	36,858	79,341
Trade and other receivables excluding prepayments	2,277,491	2,700,149
Pledged bank deposits *(Note 17)*	14,133	2,526
Fixed deposits *(Note 17)*	79,699	5,982
Cash and cash equivalents *(Note 17)*	4,598,506	3,048,604
Total	7,089,290	5,889,011

	2018	2017
31 December 2018		
Financial liabilities as per consolidated balance sheet		
Liabilities at amortised cost		
Bank and other borrowings *(Note 21)*	9,969,374	8,466,385
Trade and other payables excluding non-financial liabilities	2,122,207	1,779,038
Total	12,091,581	10,245,423

11 SUBSIDIARIES

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

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling Interest (%)
Kangchen Plastic (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of plastic products in the PRC	Registered and paid up capital of RMB3,280,000	100%	—	100%	—
Shenzhen Benson Automobile Glass Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB140,403,049	100%	—	100%	—
Dongguan Benson Automobile Glass Company Limited (Formerly known as "Xinyi Automobile Glass Company (Dongguan) Limited")	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$22,000,000	100%	—	100%	—
Xinyi Automobile Glass (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB353,807,000	100%	—	100%	—
Xinyi Automobile Parts (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$23,980,000	100%	—	100%	—
Xinyi Automobile Parts (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$29,800,000	100%	—	100%	—
Xinyi Glass (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of float glass and architectural glass in the PRC	Registered and paid up capital of US$126,000,000	100%	—	100%	—
Xinyi Ultra-thin Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US$80,000,000	100%	—	100%	—
Xinyi Glass Japan Company Limited	Japan, limited liability company	Trading of automobile glass in Japan	Authorised and paid up capital of 400 common shares of JP￥50,000 each	55%	—	55%	45%

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(All amounts in Hong Kong dollar thousands unless otherwise stated)

11 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2018: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling Interest (%)
Xinyi Auto Glass (North America) Corporation	Canada, limited liability company	Trading of automobile glass in Canada	Authorised and paid up capital of 100,000 common shares of CAD0.1 each	70%	—	70%	30%
Xinyi Group (Glass) Company Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	1,000 ordinary shares	100%	—	100%	—
Xinyi International Investments Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	10,000 ordinary shares	100%	—	100%	—
Xinyi Automobile Glass (BVI) Company Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorised and paid up capital of 55,000 ordinary shares of US$1 each	100%	100%	100%	—
Xinyi Energy Smart (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of float glass and architectural glass in the PRC	Registered and paid up capital of US$58,500,000	100%	—	100%	—
Xinyi Glass (Jiangmen) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US$180,800,000	100%	—	100%	—
Xinyi Glass Engineering (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of architectural glass in the PRC	Registered and paid up capital of US$60,000,000	100%	—	100%	—

11 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2018: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling Interest (%)
Xinyi Glass (Yingkou) Company Limited	The PRC, limited liability company	Manufacturing of float glass, automobile glass and architectural glass in the PRC	Registered capital of US$99,000,000 and total paid up capital of US$98,999,652	100%	—	100%	—
Xinyi Automobile Parts (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of US$57,150,000 and total paid up capital of US$13,429,995	100%	—	100%	—
Xinyi Glass (Xiamen) Co. Ltd	The PRC, limited liability company	Conducting research and trading of glass in the PRC	Registered and paid up capital of HK$120,000,000	100%	100%	100%	—
Xinyi Electronic Glass (Wuhu) Company limited	The PRC, limited liability company	Manufacturing of electronic glass in the PRC	Registered and paid up capital of US$60,630,000	100%	—	100%	—
Xinyi Energy Smart (Sichuan) Company limited	The PRC, limited liability company	Manufacturing of float glass, automobile glass and architectural glass in the PRC	Registered and paid up capital of US$99,000,000	100%	—	100%	—
Xinyi Energy Smart (Malaysia) SDN.BHD	Malaysia, limited liability company	Manufacturing of float glass in Malaysia	Registered and paid up capital of RM$20,000,000	100%	—	100%	—
Xinhe Logistics (Wuhu) Company Limited	The PRC, limited liability company	Provision of logistic and related services	Registered and paid up capital of RMB1,250,000	100%	—	100%	—

(All amounts in Hong Kong dollar thousands unless otherwise stated)

11 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2018: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling Interest (%)
Xinyi Wind Power (Jinzhai) Company Limited *(Note (a))*	The PRC, limited liability company	Operate wind farm for electricity generation	Registered and paid up capital of RMB10,000,000	82%	—	82%	18%
Wuhu Jinshanshi Numerical Control Technology Co. Ltd	The PRC, limited liability company	Manufacturing of automatic machines for solar glass factory and other glass related industry	Registered and paid up capital of RMB30,000,000	85.66%	—	85.66%	14.34%
Xinyi Glass (Bozhou) Company Limited	The PRC, limited liability company	Manufacturing and sales of glass product	Registered capital of RMB 10,000,000 and total paid up capital of RMB5,721,000	100%	—	100%	—
Xinyi Glass (GuangXi) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of RMB100,000,000	100%	—	100%	—
GuangXi Xinyi Supply Chain Management Company Limited	The PRC, limited liability company	Provision of supply chain services in the PRC	Registered and paid up capital of RMB3,000,000	100%	—	100%	—
Behai Xinhe Logistics Company Limited	The PRC, limited liability company	Provision of logistic and related services	Registered and paid up capital of RMB1,500,000	100%	—	100%	—
Xinyi (Jiangsu) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered capital of US$100,000,000 paid up capital of US$36,420,000	100%	—	100%	—

11 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2018: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/ registered share capital	Interest held	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling Interest (%)
Ultimate Luck Global Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorised and paid up capital of 50,000 ordinary shares of US$1each	60%	—	60%	40%
Cheer Wise Investment Limited	Hong Kong, limited liability company	Property and car parks holding in Hong Kong	1 ordinary share	60%	—	60%	40%

Note:

(a) Transactions with non-controlling interests

During the year ended 31 December 2017, the Group disposed of 18% equity interest in Xinyi Wind Power (Jinzhai) Company Limited, a subsidiary of the Group, to a subsidiary of Xinyi Autmobile Glass Hong Kong Enterprises Limited ("Xinyi HK"), for a consideration of HK$2,411,000. Xinyi HK is a related company of the Group. On the date of disposal, the carrying amount of such 18% non-controlling interest of the Group was HK$2,411,000. The Group recognised an increase in non-controlling interests of the same amount.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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

(A) EQUITY INVESTMENT AT FVOCI

	2018	2017
At 1 January	—	—
Reclassification on adoption of HKFRS 9	52,409	—
Fair value loss recognised in other comprehensive income *(Note 19)*	(13,841)	—
Disposal	(55)	
At 31 December	38,513	—
Less: Non-current portion	(38,513)	—
Current portion	—	—

Classification of financial assets at FVOCI

Financial assets at FVOCI represents equity security listed in Hong Kong - ZMFY Automobile Glass Services Limited ("ZMFY") which is not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. The listed equity security was classified as available-for-sale financial assets in as at 31 December 2017 and reclassified to financial assets at FVOCI due to adoption of HKFRS 9.

The Group's shareholding in ZMFY as at 31 December 2018 is approximately 15.17% (2017: approximately 15.46%).

(B) EQUITY INVESTMENT PREVIOUSLY CLASSIFIED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS (2017)

	2018	2017
At 1 January	52,409	38,508
Reclassification on adoption of HKFRS 9 (Note (a))	(52,409)	—
Currency translation differences	—	7
Disposals	—	(564)
Fair value gain recognised in other comprehensive income *(Note 19)*	—	14,458
At 31 December	—	52,409
Less: Non – Current portion	—	—
Current Portion	—	52,409

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (2017: AVAILABLE-FOR-SALE FINANCIAL ASSETS) (Continued)

(B) EQUITY INVESTMENT PREVIOUSLY CLASSIFIED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS (2017) (Continued)

Classification of financial assets as available-for-sale

As at 31 December 2017, investments were designated as available-for-sale financial assets if they did not have fixed maturities and fixed or determinable payments, and management intended to hold them for the medium to long-term. Financial assets that were not classified into any of the other categories (held for trading, loans and receivables or held-to-maturity investments) were also included in the available-for-sale category. The financial assets were presented as non-current assets unless they matured, or management intended to dispose of them within 12 months of the end of the reporting period.

A security was considered to be impaired if there had been a significant or prolonged decline in the fair value below its cost. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement – is reclassified from equity and recognised in consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement in a subsequent period.

(C) FAIR VALUE

The fair value hierarchy of listed equity securities are categorised under level 1. The fair value of listed securities is based on the current bid price. These listed equity securities are denominated in HK$.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

(A) FINANCIAL ASSETS MEASURED AT FVTPL INCLUDE THE FOLLOWING

	2018	2017
Hong Kong listed equity securities	44,090	—

Classification of financial assets at FVTPL

Financial assets at FVTPL represents equity securities listed in Hong Kong - Maanshan Iron & Steel Company Limited, Angang Steel Company Limited and China Recourses Cement Holdings Limited which are held for trading, and which the Group has not elected at initial recognition to recognise in FVOCI. These are strategic investments and the Group considers this classification to be more relevant.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Continued)

(B) AMOUNTS RECOGNISED IN PROFIT OR LOSS

During the year, the following losses were recognised in consolidated income statement:

	2018	2017
Fair value losses on equity instruments at FVTPL (Note 26)	6,236	—

(C) RISK EXPOSURE AND FAIR VALUE MEASUREMENTS

Information about the Group's exposure to price risk is provided in Note 3.1(c). For information about the methods and assumptions used in determining fair value please refer to Note 3.3.

14 INTERESTS IN AND BALANCES WITH ASSOCIATES

	2018	2017
Investments in associates		
At 1 January	4,415,663	3,257,782
Currency translation differences	(1,270)	1,086
Addition to investment in an associate *(Note (a))*	175,362	446,375
Share of profits of associates	565,900	699,662
Dividends received	(331,519)	(314,631)
Share of other comprehensive (loss)/income	(144,246)	325,389
At 31 December	4,679,890	4,415,663

	2018	2017
Loans to an associate *(Notes (b) & (c))*		
– Current portion	35,833	52,421
– Non-current portion	1,025	26,920
	36,858	79,341

14 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

Notes:

(a) During the year ended 31 December 2018, the Board of Xinyi Solar Holdings Limited ("Xinyi Solar") resolved that the 2018 interim dividend would be paid by way of cash with an option to elect to receive wholly or partly the shares of Xinyi Solar ("Scrip Shares"), and the Company elected to receive wholly the Scrip Shares. Subsequent to issuance of the Scrip Shares, the Group held 2,277,983,679 Xinyi Solar's share, representing 29.74% Xinyi Solar's shares as at 31 December 2018.

On 16 May 2017, Xinyi Solar invited its shareholders to subscribe to a rights issue (the "Xinyi Solar Right Issue") of 674,880,000 shares at an issue price of HK$2.24 per share on the basis of 1 share for every 10 existing shares held on 15 May 2017, with such shares to be issued on, and rank for dividends after 8 June 2017. The Company subscribed 199,275,000 Xinyi Solar's shares for a total consideration of HK$446,375,000 under the Xinyi Solar Right Issue. Subsequent to this subscription, the Group held 2,192,022,031 Xinyi Solar's shares, representing 29.53% Xinyi Solar's shares as at 31 December 2017.

(b) As at 31 December 2018, the loans to an associate included a loan amounted to HK$10,133,000 (2017: HK$17,827,000) which is unsecured, interest-free and repayable by installments up to 2020 and another loan amounted to HK$26,725,000 (2017: HK$61,514,000) which is secured, interest bearing at 9.7% (2017: 9.7%) per annum and repayable by installments up to 2019. The balances are denominated in RMB.

(c) The carrying amounts of balances with associates approximate their fair values.

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

Name	Particulars of registered share capital	Principal activities and place of operation	Interest held
Xinyi Solar *(Note)*	Authorised capital of HK$8,000,000,000 and total paid up of 7,659,689,000 (2017: 7,423,680,000) ordinary shares of HK$0.1 each	Production and sales of solar glass products in the PRC, and development and operation of solar farms and provision of engineering procurement and construction services	29.74%
Beihai Yiyang Mineral Company Limited	Registered and paid up capital of RMB25,454,500	Exploration, mining and trading of silica in the PRC	45%
Dongyuan County Xinhuali Quartz Sand Company Limited	Registered and paid up capital of RMB10,500,000	Exploration, mining and trading of silica in the PRC	20%
Tianjin Wuqing District Xinke Natural Gas Investment Company Limited	Registered and paid up capital of RMB10,000,000	Provision of natural gas in the PRC	25%

Note:

As at 31 December 2018, the fair value of the Group's interest in Xinyi Solar, which is listed on the Main Board of the Stock Exchange, was HK$6,264,455,000 (2017: HK$6,619,906,000) and the carrying amount of the Group's interest was HK$4,573,668,000 (2017: HK$4,345,739,000).

There are no contingent liabilities relating to the Group's interests in the associates.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

14 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR A MATERIAL ASSOCIATE

Set out below is the summarised financial information for Xinyi Solar which is accounted for using the equity method:

Summarised balance sheet

	2018	2017
Current		
Cash and cash equivalents	783,873	1,380,587
Other current assets (excluding cash)	6,019,327	6,085,953
Total current assets	6,803,200	7,466,540
Current liabilities	(6,737,349)	(6,240,828)
Non-current		
Assets	17,089,300	15,300,719
Liabilities	(5,096,233)	(4,846,075)
Net assets	12,058,918	11,680,356

Summarised statement of comprehensive income

	2018	2017
Revenue	7,671,632	9,527,031
Depreciation and amortisation	(707,216)	(549,325)
Interest income	9,567	14,098
Interest expense	(255,959)	(178,605)
Profit from operations	2,246,340	2,789,435
Income tax expense	(204,662)	(265,336)
Post-tax profit from operations	2,041,678	2,524,099
Other comprehensive (loss)/income	(1,035,536)	1,251,967
Total comprehensive income	1,006,142	3,776,066
Dividend received from Xinyi Solar	328,803	306,883

14 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR A MATERIAL ASSOCIATE (Continued)

Reconciliation of summarised financial information of Xinyi Solar presented to the carrying amount of interest in an associate:

	2018	2017
Opening net assets	11,680,356	7,427,788
Total comprehensive income for the year	1,006,142	3,776,066
Transactions with owners	(627,580)	476,502
Closing net assets	12,058,918	11,680,356
Less: non-controlling interests	(1,625,109)	(1,559,229)
Closing net assets attributable to owners of Xinyi Solar	10,433,809	10,121,127
The Group's ownership interest	29.74%	29.53%
	3,103,015	2,988,944
Goodwill	1,420,900	1,410,147
Intangible assets and other assets and liabilities	49,753	74,700
Other adjustments *(Note)*	—	(128,052)
Carrying amount	4,573,668	4,345,739

Note:

Other adjustments primarily include capital reserve arising from disposal of interest in a subsidiary without loss of control under Xinyi Solar in prior year.

INDIVIDUALLY IMMATERIAL ASSOCIATES

In addition to the interests in the material associate disclosed above, the Group also has interests in three individually immaterial associates that are accounted for using the equity method.

	2018	2017
Aggregate carrying amount of individually immaterial associates	106,222	69,924
Aggregate amounts of the Group's share of:		
Profit from continuing operations	40,282	36,018
Total comprehensive income	40,282	36,018

(All amounts in Hong Kong dollar thousands unless otherwise stated)

15 INVENTORIES

	2018	2017
Raw materials	745,120	694,820
Work in progress	145,277	119,297
Finished goods	864,117	883,449
	1,754,514	1,697,566

The cost of inventories recognised as expenses and included in cost of sales amounted to approximately HK$7,909,062,000 (2017: HK$6,972,721,000) (Note 23).

16 TRADE AND OTHER RECEIVABLES

	2018	2017
Trade receivables *(Note (a))*	1,315,211	1,281,277
Less: provision for loss allowance *(Note (b))*	(36,953)	(38,507)
	1,278,258	1,242,770
Bills receivables *(Note (c))*	339,564	980,558
Trade and bills receivables – net	1,617,822	2,223,328
Prepayments, deposits and other receivables	1,249,646	1,148,520
	2,867,468	3,371,848
Less: non-current portion		
Prepayments for property, plant and equipment and land use rights	(191,677)	(299,803)
Current portion	2,675,791	3,072,045

16 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2018 and 2017, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

	2018	2017
0 - 90 days	940,454	982,889
91 - 180 days	206,186	185,597
181 - 365 days	115,030	65,889
1 - 2 years	41,167	13,550
Over 2 years	12,374	33,352
	1,315,211	1,281,277

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2018	2017
RMB	749,651	726,949
USD	520,280	493,766
HK$	4,210	2,708
Other currencies	41,070	57,854
	1,315,211	1,281,277

(b) Movements in the Group's provision for loss allowance of trade receivables are as follows:

	2018	2017
At 1 January	38,507	46,554
Currency translation differences	(316)	699
Increase/(decrease) in provision for loss allowance of trade receivables, net *(Note 23)*	7,385	(6,744)
Receivables written off during the year	(8,623)	(2,002)
At 31 December	36,953	38,507

The provision for loss allowance of trade receivables has been included in "administrative and other operating expenses" in the consolidated income statement (Note 23). The amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The Group applies HKFRS 9 simplified approach to measure provision for loss allowance which uses a lifetime expected loss allowance for all trade receivables. Details on the calculation of the calculation of loss allowance is set out in Note 3.1(b).

The top five customers and the largest customer accounted for approximately 26.2% (2017: 34.3%) and 11.6% (2017: 20.9%) of the trade receivables balance as at 31 December 2018, respectively. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The other classes within trade and other receivables do not contain impaired assets.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

16 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) All bills receivables are issued by licensed banks in the PRC with maturities ranging within 6 months (2017: 6 months).

(d) The carrying amounts of trade and other receivables approximate at their fair values.

(e) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(f) As at 31 December 2017, trade receivables of approximately HK$42,751,000 were impaired and partially provided for. The individually impaired receivables are related to customers in unexpected financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, a total provision for doubtful debts of approximately HK$38,507,000 was recognised. The Group does not hold any collateral over these balances. The ageing analysis of these impaired trade receivables based on invoice date as at 31 December 2017 is as follows:

	2017
0 - 90 days	—
91-180 days	234
181-365 days	4,431
1-2 years	6,993
Over 2 years	31,093
	42,751

17 CASH AND BANK BALANCES

	2018	2017
Total cash at bank and on hand	**1,025,888**	775,931
Bank deposits with maturity less than three months		
– Structured bank deposits *(Note (a))*	**2,049,415**	2,272,673
– Time deposits *(Note (b))*	**1,523,203**	—
Cash and cash equivalents	**4,598,506**	3,048,604
– Structured bank deposits *(Note (a))*	—	5,982
– Time deposits *(Note (b))*	**79,699**	—
Fixed deposits	**79,699**	5,982
Pledged bank deposits *(Note (c))*	**14,133**	2,526
Total cash and bank balances	**4,692,338**	3,057,112

17 CASH AND BANK BALANCES (Continued)

Notes:

(a) The Group placed structured bank deposits with a major licensed bank in the PRC, with fixed maturities; fixed interest rates and principal guarantee. HK$2,049,415,000 (2017: HK$2,272,673,000) of the Group's structured bank deposits will mature within 3 months and was qualified as cash and cash equivalents. No (2017: HK$5,982,000) structured bank deposits of the Group will mature more than 3 months and was qualified as fixed deposits. These balances are denominated in RMB.

(b) The Group placed time bank deposits with certain major licensed banks in the PRC, with fixed maturities; fixed interest rates and principal guarantee. HK$1,523,203,000 (2017: Nil) of the Group's time bank deposits will mature within 3 months and was qualified as cash and cash equivalents. HK$79,699,000 (2017: Nil) of the Group's time bank deposits will mature more than 3 months and was qualified as fixed deposits. These balances are denominated in RMB and HK$.

(c) Pledged bank deposits represent deposits pledged as collateral principally as security for import duties payable to the US Customs.

The effective interest rate on short-term bank deposits was 3.86% in 2018 (2017: 4.87%) per annum. These short-term bank deposits have an average maturity of 46 days (2017: 31 days).

The carrying amounts of the Group's cash and bank balances and bank deposits are denominated in the following currencies:

	2018	2017
RMB	4,149,618	2,616,196
USD	244,808	175,223
HK$	171,176	96,932
Malaysia ringgit ("MYR")	58	15,464
Other currencies	126,678	153,297
	4,692,338	3,057,112

RMB and MYR are currently not freely convertible currencies in the international market. The conversion of RMB and MYR into foreign currencies and remittance of RMB out of the PRC and MYR out of Malaysia, respectively, are subject to the rules and regulations of the foreign exchange control promulgated by the PRC government and Malaysian government.

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2018	2017
Total cash and bank balances	4,692,338	3,057,112
Less:		
– Fixed deposits	(79,699)	(5,982)
– Pledged bank deposits	(14,133)	(2,526)
	4,598,506	3,048,604

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

18 SHARE CAPITAL AND PREMIUM

	Note	Number of shares	Ordinary shares of HK$0.1 each	Share premium	Total
Authorised:					
At 1 January 2017, 31 December 2017 and 31 December 2018		20,000,000,000	2,000,000	—	2,000,000
At 1 January 2017		3,891,765,199	389,177	1,360,624	1,749,801
Issue of shares under an employees share option scheme	(a)	28,747,500	2,874	228,545	231,419
Shares issued as conversion of convertible bonds		97,147,948	9,715	663,804	673,519
Redemption of convertible bonds		—	—	1,860	1,860
Dividend relating to 2016		—	—	(919,845)	(919,845)
Dividend relating to 2017		—	—	(800,787)	(800,787)
At 31 December 2017		4,017,660,647	401,766	534,201	935,967
At 1 January 2018		**4,017,660,647**	**401,766**	**534,201**	**935,967**
Issue of shares under an employees share option scheme	(a)	**13,999,500**	**1,400**	**82,855**	**84,255**
Repurchases and cancellation of shares	(b)	**(38,458,000)**	**(3,846)**	**(367,235)**	**(371,081)**
At 31 December 2018		**3,993,202,147**	**399,320**	**249,821**	**649,141**

18 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS

In 2005, the Company adopted a share option scheme ("Share Option Scheme"). Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options to any employee of the Group to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 10% of the shares in issue upon completion of the placing and the capitalisation issue of the shares of the Company, unless the Company obtains further approval from the shareholders.

In April 2013, 26,500,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$5.55 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. In relation to the batch granted in April 2013, 9,248,500 options were exercised during the year ended 31 December 2017 and a total of 2,000 options were lapsed and the remaining 17,000 options were expired during the year ended 31 December 2017.

In February 2014, 26,000,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$6.84 per share. Options are conditional on the employee completing three years and one month's service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2018, in relation to the batch granted in February 2014, 1,277,000 (2017: 19,499,000) options were exercised, no (2017: 1,640,000) option was lapsed and 13,000 (2017: Nil) options were expired.

In March 2015, 28,000,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$4.55 per share. Options are conditional on the employee completing three years and one month's service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2018, in relation to the batch granted in March 2015, 12,723,000 (2017: Nil) option was exercised, 1,563,000 (2017: 1,837,000) options were lapsed and 23,000 (2017: Nil) options were expired.

18 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS (Continued)

In March 2016, 28,500,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$4.81 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2018, in relation to the batch granted in March 2016, a total of 1,010,000 (2017: 1,892,000) options were lapsed.

In March 2017, 29,264,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$7.28 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2018, in relation to the batch granted in March 2017, a total of 1,096,000 (2017: 1,104,000) options were lapsed.

In March 2018, 29,600,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$11.74 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. During the year ended 31 December 2018, in relation to the batch granted in March 2018, a total of 402,000 options were lapsed.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Average exercise price in HK$ per share	Options (thousands)	Average exercise price in HK$ per share	Options (thousands)
At 1 January	5.64	79,214	5.35	85,189
Granted	11.74	29,600	7.28	29,264
Exercised	4.76	(14,000)	6.42	(28,748)
Lapsed	6.06	(4,070)	5.67	(6,474)
Expired	5.38	(36)	5.55	(17)
At 31 December	7.75	90,708	5.64	79,214

Out of the 90,708,000 (2017: 79,214,000) outstanding options, 9,057,000 (2017: 1,290,000) option was exercisable as at 31 December 2018. Options exercised in 2018 resulted in 13,999,500 shares (2017: 28,747,500 shares) being issued at a weighted average price at the time of exercise of HK$4.76 each (2017: HK$6.42 each).

18 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS (Continued)

Share options outstanding at the end of the year have the following expiry date and exercise price:

Expiry date	Exercise price in HK$ per share	Options (thousands) 2018	2017
31 March 2018	6.84	—	1,290
31 March 2019	4.55	**9,057**	23,366
31 March 2020	4.81	**25,388**	26,398
31 March 2021	7.28	**27,065**	28,160
31 March 2022	11.74	**29,198**	—
		90,708	79,214

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, was approximately HK$2.15 (2017: HK$1.27) per option. The significant inputs into the model were weighted average share price of HK$11.74 (2017: HK$7.28) at the grant date, the exercise price shown above, volatility of 34.72% (2017: 35.39%), dividend yield of 4.82% (2017: 5.49%), an expected option life of 3.6 years (2017: 3.5 years), and an annual risk-free interest rate of 1.55% (2017: 1.29%) per annum. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

Based on the above, the fair value of the above options granted during the year determined using the Black-Scholes valuation model was approximately HK$63,681,592 (2017: HK$37,085,000). The attributable amounts charged to the consolidated income statement for the year ended 31 December 2018 was HK$32,012,000 (2017: HK$28,441,000) (Note 24).

(B) REPURCHASE OF SHARE

During the year ended 31 December 2018, 38,458,000 shares repurchased by the Company were cancelled in 2018. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of Repurchase	Number of Shares of HK$0.10 each	Highest price per Share HK$	Lowest price per Share HK$	Aggregate consideration paid HK$'000
May 2018	14,090,000	11.40	10.72	154,791
June 2018	18,328,000	9.38	8.87	166,589
November 2018	6,040,000	8.35	8.09	49,701

(All amounts in Hong Kong dollar thousands unless otherwise stated)

19 RESERVES

	Other reserves										
	Statutory reserve fund (Note (a))	Enterprise expansion fund (Note (a))	Foreign currency translations reserve	Capital reserve (Note (b))	Share Option reserve	Property revaluation reserve	Capital redemption reserve	FVOCI reserve (Note (c))	Sub-total	Retained earnings	Total
Restated total equity as at 1 January 2018	1,387,886	46,867	545,930	11,840	40,683	37,227	17,344	14,458	2,102,235	15,199,009	17,301,244
Profit for the year	—	—	—	—	—	—	—	—	—	4,236,806	4,236,806
Change in value of financial assets at FVOCI *(Note 12)*	—	—	—	—	—	—	—	(13,841)	(13,841)	—	(13,841)
Currency translation differences	—	—	(1,294,957)	—	—	—	—	—	(1,294,957)	—	(1,294,957)
Share of other comprehensive loss of investments accounted for using the equity method *(Note 14)*	—	—	(265,723)	121,477	—	—	—	—	(144,246)	—	(144,246)
Employees share option scheme:											
– proceeds from shares issued	—	—	—	—	(17,795)	—	—	—	(17,795)	—	(17,795)
– value of employee services *(Note 18(a))*	—	—	—	—	32,012	—	—	—	32,012	—	32,012
– release on forfeiture of share options	—	—	—	—	(51)	—	—	—	(51)	51	—
Repurchase and cancellation of shares *(Note 18(b))*	—	—	—	—	—	—	3,846	—	3,846	(3,846)	—
Transfer to reserves	271,081	—	—	—	—	—	—	—	271,081	(271,081)	—
Dividends relating to 2017	—	—	—	—	—	—	—	—	—	(1,124,087)	(1,124, 087)
Dividends relating to 2018	—	—	—	—	—	—	—	—	—	(999,550)	(999,550)
At 31 December 2018	1,658,967	46,867	(1,014,750)	133,317	54,849	37,227	21,190	617	938,284	17,037,302	17,975,586

19 RESERVES (Continued)

	Other reserves												
	Statutory reserve fund (Note (a))	Enterprise expansion fund (Note (a))	Foreign currency translations reserve	Capital reserve (Note (b))	Share option reserve	Property revaluation reserve	Capital redemption reserve	Convertible bonds reserve	Available-for-sales reserve (Note (c))	FVOCI reserves (Note (c))	Sub-total	Retained earnings	Total
At 1 January 2017	1,111,004	46,867	(1,327,885)	11,840	59,289	37,227	17,344	13,341	–	–	(30,973)	11,462,103	11,431,130
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	4,013,764	4,013,764
Change in value of available-for-sale financial assets *(Note 12)*	–	–	–	–	–	–	–	–	14,458	–	14,458	–	14,458
Currency translation differences	–	–	1,548,394	–	–	–	–	–	–	–	1,548,394	–	1,548,394
Share of other comprehensive income of investments accounted for using the equity method *(Note 14)*	–	–	325,389	–	–	–	–	–	–	–	325,389	–	325,389
Employees share option scheme:													
– proceeds from shares issued	–	–	–	–	(47,023)	–	–	–	–	–	(47,023)	–	(47,023)
– value of employee services *(Note 18(a))*	–	–	–	–	28,441	–	–	–	–	–	28,441	–	28,441
– release on forfeiture of share options	–	–	–	–	(24)	–	–	–	–	–	(24)	24	–
Disposal of a subsidiary	–	–	32	–	–	–	–	–	–	–	32	–	32
Shares issued upon conversion of convertible bonds	–	–	–	–	–	–	–	(11,481)	–	–	(11,481)	–	(11,481)
Redemption of convertible bonds	–	–	–	–	–	–	–	(1,860)	–	–	(1,860)	–	(1,860)
Transfer to reserves	276,882	–	–	–	–	–	–	–	–	–	276,882	(276,882)	–
At 31 December 2017	1,387,886	46,867	545,930	11,840	40,683	37,227	17,344	–	14,458	–	2,102,235	15,199,009	17,301,244
Reclassification on adoption of HKFRS 9	–	–	–	–	–	–	–	–	(14,458)	14,458	–	–	–
At 1 January 2018	1,387,886	46,867	545,930	11,840	40,683	37,227	17,344	–	–	14,458	2,102,235	15,199,009	17,301,244

19 RESERVES (Continued)

Notes:

(a) The statutory reserve fund and enterprise expansion fund were provided for in accordance with laws in the PRC and regulations by certain subsidiaries which are the wholly owned foreign enterprises incorporated in the PRC. These funds are appropriated from net profit as recorded in the PRC statutory accounts of respective subsidiaries. The statutory reserve fund can only be used, upon approval by the relevant authority, to make good of previous years' losses or to increase the capital of these group companies. The enterprise expansion fund can only be used to increase capital of the group companies or to expand their production operations upon approval by the relevant authority.

During the year ended 31 December 2018, the boards of directors of the subsidiaries resolved to appropriate approximately HK$271,081,000 (2017: HK$276,882,000) from retained earnings to statutory reserve fund. No enterprise expansion fund was appropriated during the years ended 31 December 2018 and 2017.

(b) The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to a reorganisation occurred in 2004 and the nominal value of the share capital of the Company issued in exchange thereof.

(c) Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in Note 2.12. These changes are accumulated under the FVOCI reserve within equity. For equity securities elected to present changes in FVOCI, the Group will never transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Available-for-sale financial assets – for the year ended 31 December 2017

Changes in the fair value and exchange differences arising on translation of investments that were classified as available-for-sale financial assets (eg equities), were recognised in other comprehensive income and accumulated in a separate reserve within equity.

20 TRADE, OTHER PAYABLES AND CONTRACT LIABILITIES

	2018	2017
Trade payables *(Note (a))*	919,888	922,721
Bills payable *(Note (b))*	354,043	97,511
	1,273,931	1,020,232
Other payables *(Note (c))*	1,411,822	1,642,147
Contract liabilities (Note (e))	292,948	—
Less: non-current portion		
Other payables	(81,617)	(108,198)
Current portion	2,897,084	2,554,181

Notes:

(a) At 31 December 2018 and 2017, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	2018	2017
0 - 90 days	807,412	817,616
91-180 days	36,577	47,535
181-365 days	35,954	9,686
1-2 years	15,305	31,899
Over 2 years	24,640	15,985
	919,888	922,721

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2018	2017
RMB	761,910	745,167
MYR	86,564	80,106
USD	70,522	96,075
HK$	275	332
Other currencies	617	1,041
	919,888	922,721

(b) Bills payable have maturities ranging within 6 months (2017: 6 months).

(All amounts in Hong Kong dollar thousands unless otherwise stated)

20 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

Notes: (Continued)

(c) Nature of other payables is as follows:

	2018	2017
Payables for investment properties	73,531	87,357
Payables for property, plant and equipment	415,909	292,873
Payables for employee benefits and welfare	304,023	286,858
Payables for value-added tax	259,523	285,908
Payables for utilities	35,781	55,460
Receipt in advance from customers	—	310,575
Deposits received	—	35,517
Payables for transportation charges	91,470	60,702
Payables for commission	36,075	35,769
Others	195,510	191,128
	1,411,822	1,642,147

(d) The carrying amounts of trade payables and other payables approximate their fair values.

(e) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of glass products.

The following table shows the amount of the revenue recognised in the current reporting period relates to contract liability balance at the beginning of the year.

	2018	2017
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	310,575	—

21 BANK AND OTHER BORROWINGS

	2018	2017
Non-current		
Bank borrowings, guaranteed	9,969,374	8,466,385
Less: Current portion	(3,094,441)	(2,067,702)
	6,874,933	6,398,683
Shown as non-current liabilities	6,874,933	6,398,683
Current		
Short-term bank borrowings, guaranteed	200,000	—
Current portion of long-term bank borrowings, guaranteed	2,894,441	2,067,702
	3,094,441	2,067,702
Shown as current liabilities	3,094,441	2,067,702
Total bank and other borrowings	9,969,374	8,466,385

At 31 December 2018 and 2017, the Group's bank borrowings were repayable as follows:

	2018	2017
Within 1 year	3,094,441	2,067,702
Between 1 and 2 years	4,249,714	2,848,747
Between 2 and 5 years	2,625,219	3,549,936
	9,969,374	8,466,385

At 31 December 2018 and 2017, all bank loans bore floating interest rates. These bank borrowings are repayable by installments up to 2022 (2017: 2021) and the carrying amounts of bank borrowings approximate their fair values as at 31 December 2018 and 2017. The fair values are categorised within level 2 of the fair value hierarchy.

The Group has complied with the financial bank covenants of its borrowing facilities during the years ended 31 December 2018 and 2017.

The Group's bank borrowings are denominated in HK$.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

21 BANK AND OTHER BORROWINGS (Continued)

The effective interest rates per annum at the end of reporting date were as follows:

	2018		2017	
	HK$	USD	HK$	USD
Bank borrowings	2.55%	N/A	2.01%	1.12%

The bank borrowings were guaranteed by corporate guarantee provided by the Company and cross guarantees provided by certain subsidiaries of the Group.

22 DEFERRED INCOME TAX

The analysis of deferred income tax liabilities is as follows:

	2018	2017
Deferred income tax liabilities	417,671	335,096

The gross movements on the deferred income tax account are as follows:

	2018	2017
Beginning of the year	335,096	218,125
Currency translation differences	(7,685)	5,883
Charged to the consolidated income statement (Note 28)	90,260	111,088
End of the year	417,671	335,096

22 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities:

	Accelerated tax depreciation	Fair value gains	Undistributed profits of subsidiaries	Total
At 1 January 2017	375	58,705	159,045	218,125
Charged to the consolidated income statement *(Note 28)*	—	111,088	—	111,088
Currency translation differences	38	5,845	—	5,883
At 31 December 2017	413	175,638	159,045	335,096
Charged to the consolidated income statement *(Note 28)*	—	90,260	—	90,260
Currency translation differences	(28)	(7,657)	—	(7,685)
At 31 December 2018	385	258,241	159,045	417,671

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$41,083,000 (2017: HK$28,807,000) in respect of losses amounting to approximately HK$165,735,000 (2017: HK$115,631,000) that can be carried forward against future taxable income.

The time frame of tax losses expiration was as follows:

	2018	2017
Expired in 2019	—	—
Expired in 2020	—	—
Expired in 2021	4,904	5,161
Expired in 2022	103,990	109,278
Expired in 2023	52,706	—
No expire date	4,135	1,192
	165,735	115,631

(All amounts in Hong Kong dollar thousands unless otherwise stated)

22 DEFERRED INCOME TAX (Continued)

As of 31 December 2018, investment properties located in the PRC amounted to HK$1,598,615,000 (2017: HK$1,136,077,000) are held by certain subsidiaries with a business model to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The investment property located in Hong Kong amounted to HK$75,880,000 (2017: HK$65,840,000) are held by certain subsidiaries and expected to be recovered entirely through sale. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 8).

Deferred income tax liabilities of approximately HK$628,872,000 (2017: HK$504,695,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries in the PRC. Such temporary differences are not expected to be reversed in the foreseeable future. At 31 December 2018, total unremitted earnings for which deferred withholding tax liability has not been recognised amounted to approximately HK$12,577,431,000 (2017: HK$10,093,912,000).

23 EXPENSES BY NATURE

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

	2018	2017
Amortisation charge of leasehold lands and land use rights *(Note 6)*	**84,684**	72,779
Depreciation charge of property, plant and equipment	**916,997**	845,625
Amortisation charge of intangible assets *(Note 9)*	**2,215**	2,154
Employee benefit expenses *(Note 24)*	**1,166,990**	1,075,771
Cost of inventories *(Note 15)*	**7,909,062**	6,972,721
Transportation costs	**418,263**	346,605
Advertising costs	**51,841**	41,243
Operating lease payments in respect of land and buildings	**5,343**	3,226
Increase/(decrease) in provision for loss allowance, net *(Note 16)*	**7,385**	(6,744)
Auditor's remuneration		
– Audit services	**4,038**	3,500
– Non-statutory audit services	**595**	529
Other expenses	**1,978,771**	1,971,101
Total cost of sales, selling and marketing costs and administrative and other operating expenses	**12,546,184**	11,328,510

24 EMPLOYEE BENEFIT EXPENSES

	2018	2017
Wages and salaries	1,053,126	969,579
Share options granted to employees *(Note 18)*	32,012	28,441
Pension costs - defined contribution plans *(Note (a))*	81,852	77,751
	1,166,990	1,075,771

Note (a): Pension costs

The Group participates in a Mandatory Provident Fund scheme (the "MPF scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK$1,500 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering its full time PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

(A) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include four (2017: four) directors whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining one individual (2017: one individual) during the year are as follows:

	2018	2017
Basic salaries and allowances	1,034	1,120
Discretionary and performance bonus	5,171	5,597
Employer's contributions to pension scheme	15	16
Share options granted *(Note (a))*	205	176
	6,425	6,909

Note (a):

Share options granted represent fair value of share options issued under Share Option Scheme recognised in the consolidated income statement during the year disregarding whether the options have been vested/exercised.

During the year, no emoluments were paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2017: Nil).

(All amounts in Hong Kong dollar thousands unless otherwise stated)

25 OTHER INCOME

	2018	2017
Rental income	13,562	11,381
Government grants *(Note (a))*	298,321	246,235
Insurance compensation income	2,671	2,716
Income from sale of electricity *(Note (b))*	90,980	76,256
Income from sale of automatic machines *(Note (c))*	19,522	16,018
Gain on fair value in financial products at FVTPL *(Note (d))*	84,854	9,881
Others	31,041	24,870
	540,951	387,357

Notes:

(a) Government grants mainly represent grants obtained from the PRC government in relation to the refund of value-added tax, income tax, land use tax, other operating costs of certain PRC subsidiaries.

(b) It represents the income from sale of electricity generated from its wind power and solar power generating machines.

(c) It represents the income from sale of automatic machines for solar glass factory and other related industry.

(d) The fair value gains were arising from short-term financial products ("Financial Products") issued by reputable commercial banks in PRC. The Financial Products were not principal guaranteed nor with pre-determined or guaranteed return. As at 31 December 2018 and 2017, all of such Financial Products subscribed for by the Group had been fully redeemed or matured and the Group had totally recovered the principal and received the expected returns upon the redemption or maturity of the financial products.

26 OTHER GAINS - NET

	2018	2017
Losses on disposal of property, plant and equipment	(11,276)	(16,834)
Losses on disposal of available-for-sale financial assets	—	(135)
Unrealised fair value losses on financial assets at FVTPL	(7,776)	—
Gain on disposal of financial assets at FVTPL	1,540	—
Gain on disposal of a subsidiary	—	44
Fair value gains on investment properties, net (Note 8)	377,372	450,710
Other foreign exchange gains/(losses), net	176,167	(116,904)
Others	1,429	—
	537,456	316,881

27 FINANCE INCOME AND COSTS

	2018	2017
Finance income:		
Interest income on bank deposits (Note (a))	**68,353**	43,534
Other interest income (Note (a))	**2,852**	1,099
	71,205	44,633
Finance costs:		
Interest expense on bank borrowings	**258,959**	174,343
Interest expense on convertible bonds *(Note (b))*	**—**	9,165
Less: interest expense capitalised on qualifying assets *(Note 7)*	**(45,281)**	(32,375)
	213,678	151,133

Note:

(a) Total interest income on financial assets that are measured at amortised cost for the year was HK$71,205,000 (2017: HK$44,633,000)

(b) No interest expense on convertible bonds has been recognised for the year (2017: HK$9,165,000) as the convertible bonds were fully converted, redeemed or cancelled as at 31 December 2017.

28 INCOME TAX EXPENSE

	2018	2017
Current income tax		
– Hong Kong profits tax *(Note (a))*	**14,606**	17,207
– PRC corporate income tax *(Note (b))*	**620,622**	543,767
– Overseas income tax *(Note (c))*	**411**	1,136
– (Over)/under provision in prior years	**(3,335)**	9,215
Deferred income tax *(Note 22)*		
– Origination of temporary differences	**90,260**	111,088
	722,564	682,413

(All amounts in Hong Kong dollar thousands unless otherwise stated)

28 INCOME TAX EXPENSE (Continued)

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year.

(b) PRC corporate income tax ("CIT")

CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations.

The applicable CIT rates in Mainland China is 25% (2017: 25%). Thirteen (2017: twelve) major subsidiaries in Shenzhen, Wuhu, Dongguan, Tianjin, Jiangmen, Deyang and Yingkou enjoy high-tech enterprise income tax benefit and are entitled to a preferential tax treatment of reduction in the CIT rate to 15% (2017: 15%).

(c) Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2018	2017
Profit before income tax	**4,970,140**	4,696,432
Associates' results reported	**(565,900)**	(699,662)
	4,404,240	3,996,770
Calculated at weighted average tax rate of 24.9% (2017: 24.8%)	**1,097,836**	992,413
Preferential tax rates on income of certain PRC and overseas subsidiaries	**(379,806)**	(351,337)
Effect of additional tax reduction enacted by tax authority	**(41,393)**	—
(Over)/under provision in prior years	**(3,335)**	9,215
Utilisation of previously unrecognised tax losses	—	(8,562)
Tax losses for which no deferred income tax asset was recognised	**27,088**	25,155
Income not subject to tax	**(180)**	(947)
Expenses not deductible for tax purposes	**22,354**	**16,476**
Income tax expense	722,564	**682,413**

29 EARNINGS PER SHARE

BASIC:

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue after taking into account the effect of the issuance of new shares and share repurchased and cancellation stated in Note 18 (a) and (b) during 2018 and 2017.

	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**4,236,806**	4,013,764
Weighted average number of ordinary shares in issue (thousands)	**4,008,099**	3,968,504
Basic earnings per share (HK cents per share)	**105.71**	101.14

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 dilutive potential ordinary shares of the Company are share options and convertible bonds. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

	2018	2017
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	**4,236,806**	4,013,764
Interest expense on convertible bonds (net of tax) (HK$'000)	**—**	7,653
Share of profit of an associate as a result of diluted earnings at associate level	**(49)**	(23)
Profit used to determine diluted earnings per share (HK$'000)	**4,236,757**	4,021,394
Weighted average number of ordinary shares in issue (thousands)	**4,008,099**	3,968,504
Adjustments for:		
Share options (thousands)	**27,044**	19,820
Assumed conversion of convertible bonds (thousands)	**—**	36,334
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**4,035,143**	4,024,658
Diluted earnings per share (HK cents per share)	**105.00**	99.92

(All amounts in Hong Kong dollar thousands unless otherwise stated)

30 DIVIDENDS

	2018	2017
Interim dividend paid of HK$0.25 (2017: HK$0.20) per share (Note a)	999,550	800,787
Proposed final dividend of HK$0.27 (2017: final dividend of HK$0.28) per share *(Note b)*	1,078,337	1,124,087
	2,077,887	1,924,874

Notes:

(a) An interim dividend of HK$0.25 per share (2017: HK$0.20 per share) was paid to shareholders whose names appeared on the Register of Members of the Company on 17 August 2018 (2017: 18 August 2017).

(b) A final dividend in respect of the financial year ended 31 December 2018 of HK$0.27 per share (2017: HK$0.28 per share), amounting to a total dividend of HK$1,078,337,000 (2017: HK$1,124,087,000), is to be proposed at the forthcoming Annual General Meeting. The amount of 2018 proposed final dividend is based on 3,993,840,147 shares in issue as at 31 January 2019 (2017: 4,014,596,847 shares in issue as at 15 June 2018). These consolidated financial statements do not reflect this dividend payable.

31 CASH GENERATED FROM OPERATIONS

		Note	2018	2017
(a)	Profit before income tax		4,970,140	4,696,432
	Adjustments for:			
	– Amortisation charge of leasehold lands and land use rights	23	84,684	72,779
	– Fair value gains on investment properties	26	(377,372)	(450,710)
	– Depreciation charge of property, plant and equipment	23	916,997	845,625
	– Losses on disposal of property, plant and equipment	26	11,276	16,834
	– Loss on disposal of available-for-sale financial assets	26	—	135
	– Gain on disposal of a subsidiary	26	—	(44)
	– Amortisation charge of intangible assets	23	2,215	2,154
	– Share of profits of associates	14	(565,900)	(699,662)
	– Interest income	27	(71,205)	(44,633)
	– Interest expense	27	213,678	151,133
	– Share options granted to employees	24	32,012	28,441
	– Unrealised fair value losses of financial assets at FVTPL	26	7,776	—
	– Gain on disposal of financial assets at FVTPL	26	(1,540)	—
	– Increase/(decrease) in provision for loss allowance of trade receivables, net	16	7,385	(6,744)
	– Non-cash government grant		(31,113)	—
	Changes in working capital:			
	– Inventories		18,794	(252,068)
	– Trade and other receivables		259,956	(588,345)
	– Trade, other payables and contract liabilities		(20,068)	511,347
	Cash generated from operations		5,457,715	4,282,674

(All amounts in Hong Kong dollar thousands unless otherwise stated)

31 CASH GENERATED FROM OPERATIONS (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2018	2017
Net book amount of property, plant and equipment *(Note 7)*	**155,510**	35,411
Losses on disposal of property, plant and equipment *(Note 26)*	**(11,276)**	(16,834)
Proceeds from disposal of property, plant and equipment	**144,234**	18,577

(c) In the consolidated statement of cash flows, proceeds from disposal of a subsidiary comprise:

	2018	2017
Net book amount of a subsidiary disposed of	—	740
Gain on disposal of a subsidiary *(Note 26)*	—	44
Proceeds from disposal of a subsidiary	—	784

(d) Net debt reconciliation:

This section sets out an analysis of net debt and the movements in net debt for each of the year presented.

	2018	2017
Cash and cash equivalents	**4,598,506**	3,048,604
Bank and other borrowings – repayable within one year	**(3,094,441)**	(2,067,702)
Bank and other borrowings – repayable after one year	**(6,874,933)**	(6,398,683)
Net debt	**(5,370,868)**	(5,417,781)
Cash and cash equivalents	**4,598,506**	3,048,604
Gross debt – fixed interest rates	—	—
Gross debt – variable interest rates	**(9,969,374)**	(8,466,385)
Net debt	**(5,370,868)**	(5,417,781)

31 CASH GENERATED FROM OPERATIONS (Continued)

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents	Bank and other borrowings due within 1 year	Bank and other borrowings due after 1 year	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Net debt as at 31 December 2016	2,763,072	(3,165,365)	(4,509,073)	(4,911,366)
Cash flows	125,857	444,790	(1,889,610)	(1,318,963)
Cash flows-interest of convertible bonds	—	(9,165)	—	(9,165)
Foreign exchange adjustments	159,675	—	—	159,675
Other non-cash movements	—	662,038	—	662,038
Net debt as at 31 December 2017	**3,048,604**	**(2,067,702)**	**(6,398,683)**	**(5,417,781)**
Cash flows	**1,774,585**	**(1,026,739)**	**(476,250)**	**271,596**
Foreign exchange adjustments	**(224,683)**	**—**	**—**	**(224,683)**
Net debt as at 31 December 2018	**4,598,506**	**(3,094,441)**	**(6,874,933)**	**(5,370,868)**

32 COMMITMENTS

CAPITAL COMMITMENTS

Capital expenditure approved at the end of reporting date but not yet incurred is as follows:

	2018	2017
Property, plant and equipment, intangible assets and land use right		
Contracted but not provided for	**909,120**	512,714

(All amounts in Hong Kong dollar thousands unless otherwise stated)

32 COMMITMENTS (Continued)

OPERATING LEASE COMMITMENTS

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
Not later than 1 year	78	293
Later than 1 year and not later than 5 years	—	73
	78	366

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable under non-cancellable operating lease of investment properties not recognised in the consolidated financial statements are as follows:

	2018	2017
Not later than 1 year	8,647	10,705
Later than 1 year and not later than 5 years	21,650	14,561
Later than 5 years	13,717	17,250
	44,014	42,516

33 RELATED PARTY TRANSACTIONS

As at 31 December 2018, the Group is controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung which in aggregate owns 2,277,983,678 (2017: 2,276,345,059) of the Company's shares.

33 RELATED PARTY TRANSACTIONS (Continued)

The following transactions were carried out with related parties:

(A) TRANSACTIONS WITH RELATED PARTIES

	Note	2018	2017
Purchases of goods from associates	i		
– Tianjin Wuqing District Xinke Natural Gas Investment Company Limited		256,015	236,835
– Beihai Yiyang Mineral Company Limited		142,972	164,432
– Dongyuan County Xinhuali Quartz Sand Company Limited		28,173	41,736
– A subsidiary of Xinyi Solar	vii	4,190	395
Sales of goods to associates			
–Subsidiaries of Xinyi Solar	ii	199,194	103,169
Sales of goods to related parties			
– An entity controlled by a controlling party	ii, vii	5,494	4,013
– Entities controlled by a controlling party	ii	15,718	—
Sales of machineries to an associate			
– A subsidiary of Xinyi Solar	iii	68,326	41,194
Consultancy income received from an associate			
– A subsidiary of Xinyi Solar	iv, vii	851	831
Rental income received from an associate			
– A subsidiary of Xinyi Solar	v, vii	6,826	5,292
Rental expenses paid to an associate			
– A subsidiary of Xinyi Solar	v, vii	1,087	1,012
Rental income received from a related party			
– An entity controlled by a controlling party	v, vii	265	120
Transportation fees received from an associate			
– A subsidiary of Xinyi Solar	vi, vii	1,969	32,981
Disposal of a subsidiary to an associate			
– A subsidiary of Xinyi Solar	vii, ix	—	784
Sales of interest in a subsidiary to a related party			
– An entity controlled by a controlling party	vii, viii	—	2,411
Sales of a parcel of land in Malaysia			
– A subsidiary of Xinyi Solar	xiii	142,346	—
Wind farm management fees paid to a related party			
– An entity controlled by a controlling party	x, vii	1,815	—

Notes to the Consolidated Financial Statements

(All amounts in Hong Kong dollar thousands unless otherwise stated)

33 RELATED PARTY TRANSACTIONS (Continued)

(A) TRANSACTIONS WITH RELATED PARTIES (Continued)

	Note	2018	2017
Processing fees paid to a related party			
– An entity controlled by a controlling party	xi	47,596	—
Purchase of machinery parts from a related party			
– An entity controlled by a controlling party	xii, vii	1,002	—
Purchase of consumables from a related party			
– An entity controlled by a controlling party	xiv, vii	481	—

Notes:

(i) The purchases of goods from associates were charged at mutually agreed prices and terms.

(ii) The sales of goods to associates and related parties were charged at mutually agreed prices and terms.

(iii) The sales of machineries to an associate was charged at considerations based on mutually agreed terms.

(iv) Consultancy income received from an associate was charged at mutually agreed fee.

(v) The lease of premises was charged at mutually agreed rental.

(vi) Transportation fees received from an associate were changed at mutually agreed fees.

(vii) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms.

(viii) The sale of interest in a subsidiary to a related party was charged at considerations based on mutually agreed terms.

(ix) The disposal of a subsidiary to an associate was charged at considerations based on mutually agreed terms.

(x) Wind farm management fees were charged at mutually agreed fees.

(xi) Processing fees were charged at mutually agreed prices.

(xii) The purchase of machinery parts was charged at mutually agreed prices and terms.

(xiii) The sale of a parcel land in Malaysia were charged at mutually agreed prices and terms.

(xiv) The purchase of consumables was charged at mutually agreed prices and terms.

33 RELATED PARTY TRANSACTIONS (Continued)

(B) YEAR-END BALANCES WITH RELATED PARTIES

	2018	2017
Loans advance to an associate *(Note 14(b))*		
– Dongyuan County Xinhuali Quartz Sand Company Limited	**36,858**	79,341
Receivable from an associate arising from sales of machineries and land parcel *(Note (i))*		
– A subsidiary of Xinyi Solar	**99,994**	53,709
Receivable from an associate arising from consultancy income *(Note (i))*		
– A subsidiary of Xinyi Solar	**71**	69
Receivable from a related party arising from sale of goods *(Note (i))*		
– An entity controlled by a controlling party	**953**	—
Payable to a related party arising from processing fees *(Note (i))*		
– An entity controlled by controlling party	**1,911**	—
Payable to a related party arising from rental deposit received *(Note (i))*		
– An entity controlled by a controlling party	**—**	60

Notes:

(i) Balances with related parties are unsecured, interest-free and with no fixed term of repayment. The amounts approximate their fair values and are denominated in RMB and MYR.

(C) KEY MANAGEMENT COMPENSATION

	2018	2017
Basic salaries and allowances	**18,585**	18,700
Discretionary and performance bonus	**73,799**	67,153
Employer's contributions to pension scheme	**110**	113
Share options granted	**1,710**	1,617
	94,204	87,583

(All amounts in Hong Kong dollar thousands unless otherwise stated)

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company	Note	As at 31 December 2018	2017
ASSETS			
Non-current assets			
Investments in subsidiaries		211,513	120,010
Amounts due from subsidiaries		2,154,650	2,154,650
		2,366,163	2,274,660
Current assets			
Prepayments and other receivables		3,601	3,500
Financial assets at fair value through profit and loss		44,090	—
Cash and bank balances		2,662	1,600
		50,353	5,100
Total assets		2,416,516	2,279,760
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		399,320	401,766
Share premium		249,821	534,201
Other reserves	(a)	76,039	58,027
Retained earnings	(a)	149,469	106,828
Total equity		874,649	1,100,822
LIABILITIES			
Current liabilities			
Other payables		14,396	6,215
Amounts due to subsidiaries		1,526,866	1,165,426
Current income tax liabilities		605	7,297
		1,541,867	1,178,938
Total liabilities		1,541,867	1,178,938
Total equity and liabilities		2,416,516	2,279,760

The balance sheet of the Company was approved by the Board of Directors on 25 February 2019 and was signed on its behalf.

LEE Yin Yee, B.B.S.	TUNG Ching Bor
Chairman	*Vice-chairman*

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movements of the Company

	Share option reserve	Capital redemption reserve	Convertible bonds reserve	Sub-total	Retained earnings	Total
At 1 January 2017	59,289	17,344	13,341	89,974	135,539	225,513
Loss for the year	—	—	—	—	(28,735)	(28,735)
Employees share option scheme:						
– proceeds from shares issued	(47,023)	—	—	(47,023)	—	(47,023)
– value of employee services	28,441	—	—	28,441	—	28,441
– release on forfeiture of share options	(24)	—	—	(24)	24	—
– Shares issued upon conversion of convertible bonds	—	—	(11,481)	(11,481)	—	(11,481)
– Redemption of convertible bonds	—	—	(1,860)	(1,860)	—	(1,860)
At 31 December 2017	40,683	17,344	—	58,027	106,828	164,855
At 1 January 2018	40,683	17,344	—	58,027	106,828	164,855
Profit for the year	—	—	—	—	2,170,073	2,170,073
Employees share option scheme:						
– proceeds from shares issued	(17,795)	—	—	(17,795)	—	(17,795)
– value of employee services	32,012	—	—	32,012	—	32,012
– release on forfeiture of share options	(51)	—	—	(51)	51	—
Repurchase and cancellation of shares	—	3,846	—	3,846	(3,846)	—
Dividend relating to 2017	—	—	—	—	(1,124,087)	(1,124,087)
Dividend relating to 2018	—	—	—	—	(999,550)	(999,550)
At 31 December 2018	54,849	21,190	—	76,039	149,469	225,508

35 BENEFITS AND INTEREST OF DIRECTORS

(A) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration for the year ended 31 December 2018 of every director is set out below:

Name of directors (Note (i))	Fees HK$000	Salary HK$000	Discretionary bonus HK$000	Employer's contribution to benefit scheme HK$000	Total HK$000
LEE Yin Yee	300	49	22,893	—	23,242
TUNG Ching Bor	300	3,131	9,811	18	13,260
TUNG Ching Sai	300	8,734	22,893	18	31,945
LEE Shing Kan	300	2,594	9,811	18	12,723
NG Ngan Ho	300	—	—	—	300
LI Ching Wai	300	—	—	—	300
SZE Nang Sze	300	—	—	—	300
LI Ching Leung	300	—	—	—	300
LAM Kwong Siu	300	—	—	—	300
WONG Chat Chor, Samuel	300	—	—	—	300
WONG Ying Wai	300	—	—	—	300
TRAN Chuen Wah, John	300	—	—	—	300
TAM Wai Hung, David	300	—	—	—	300

35 BENEFITS AND INTEREST OF DIRECTORS (Continued)

(A) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

The remuneration for the year ended 31 December 2017 of every director is set out below:

Name of directors (Note (i))	Fees HK$000	Salary HK$000	Discretionary bonus HK$000	Employer's contribution to benefit scheme HK$000	Total HK$000
LEE Yin Yee	300	49	21,641	—	21,990
TUNG Ching Bor	300	3,130	9,275	18	12,723
TUNG Ching Sai	300	8,602	21,641	18	30,561
LEE Shing Kan	300	2,785	9,275	18	12,378
NG Ngan Ho	300	—	—	—	300
LI Ching Wai	300	—	—	—	300
SZE Nang Sze	300	—	—	—	300
LI Ching Leung	300	—	—	—	300
LAM Kwong Siu	300	—	—	—	300
WONG Chat Chor, Samuel	300	—	—	—	300
WONG Ying Wai	300	—	—	—	300
TRAN Chuen Wah, John	300	—	—	—	300
TAM Wai Hung, David	300	—	—	—	300

35 BENEFITS AND INTEREST OF DIRECTORS (Continued)

(A) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

Notes:

(i) During the year ended 31 December 2018, none of the directors of the Company (a) received any allowances and benefits in kind; (b) received or paid emoluments in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking, except for the director set out in Note (iv) below; and (c) received or paid any remuneration in respect of accepting office (2017: same).

(ii) The remuneration shown above represents remuneration received from the Group by these directors in respect of their services as directors and/or in their respect of therir services as employees of the Company or its subsidiaris undertaking (2017: same).

(iii) No director of the Company was appointed/resigned during the year (2017: same).

(iv) TUNG Ching Sai is also the Chief Executive Officer of the Group and his remuneration disclosed above include those for services rendered by him as the Chief Executive Officer.

35 BENEFITS AND INTEREST OF DIRECTORS (Continued)

(B) DIRECTORS' TERMINATION BENEFITS

During the year ended 31 December 2018, none of the directors of the Company received termination benefits. (2017: same).

(C) CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the year ended 31 December 2018, the Company did not paid any consideration to third party for making available services of director (2017: same).

(D) DIRECTORS' LOANS, QUASI-LOANS AND OTHER DEALINGS

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate by and connected entities with such directors (2017: same).

(E) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for those transactions disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: same).

Financial Summary

All amounts in Hong Kong dollar thousands unless otherwise stated

A summary of the results and of the assets and liabilities of the Group for the last five financial years is presented below.

	Year ended 31 December				
	2018	2017	2016	2015	2014
Revenue	**16,014,490**	14,727,542	12,848,400	11,460,263	10,861,082
Cost of sales	**(10,139,138)**	(9,283,428)	(8,189,150)	(8,327,570)	(8,127,635)
Gross profit	**5,875,352**	5,444,114	4,659,250	3,132,693	2,733,447
Profit before income tax	**4,970,140**	4,696,432	3,823,451	2,379,625	1,593,376
Income tax expense	**(722,564)**	(682,413)	(607,288)	(266,026)	(228,453)
Profit for the year	**4,247,576**	4,014,019	3,216,163	2,113,599	1,364,923
Profit attributable to					
– Equity holders of the Company	**4,236,806**	4,013,764	3,213,428	2,113,143	1,363,680
– Non-controlling interests	**10,770**	255	2,735	456	1,243
	4,247,576	4,014,019	3,216,163	2,113,599	1,364,923
Dividends	**2,077,887**	1,924,874	1,646,981	1,032,327	588,363

Asset and Liabilities	As at 31 December				
	2018	2017	2016	2015	2014
Total assets	**32,679,267**	30,305,000	24,022,321	21,421,653	21,034,164
Total liabilities	**13,977,006**	11,998,808	10,775,431	8,695,946	8,698,835
	18,702,261	18,306,192	13,246,890	12,725,707	12,335,329
Equity attributable to equity holders of the Company	**18,624,727**	18,237,211	13,180,931	12,718,466	12,333,283
Non-controlling interests	**77,534**	68,981	65,959	7,241	2,046
	18,702,261	18,306,192	13,246,890	12,725,707	**12,335,329**