



信義香港
XINYI
HONG KONG

**XINYI AUTOMOBILE GLASS
HONG KONG ENTERPRISES LIMITED
信義汽車玻璃香港企業有限公司**

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 08328

2019 INTERIM
REPORT



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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. LI Pik Yung
Mr. CHAN Chi Leung[^]

Non-executive Directors

Tan Sri Datuk TUNG Ching Sai P.S.M., D.M.S.M.
(Chairman)⁻
Mr. LEE Shing Kan^o

Independent non-executive Directors

Mr. WANG Guisheng^{^ o <}
Mr. NG Wai Hung^{# <}
Mr. CHAN Hak Kan, B.B.S., JP^{# +}

- ⁻ Chairman of audit committee
- [#] Members of audit committee
- ⁺ Chairman of remuneration committee
- ^o Members of remuneration committee
- [~] Chairman of nomination committee
- [<] Members of nomination committee
- [^] Compliance officer

COMPANY SECRETARY

Mr. CHAN Chi Leung, CPA

REGISTERED OFFICE

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Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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LEGAL ADVISERS AS TO HONG KONG LAW

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

CORPORATE INFORMATION (CONTINUED)

AUDITOR

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

PRINCIPAL BANKERS

Bank of China (Hong Kong)
DBS Bank
Fubon Bank (Hong Kong)
Hang Seng Bank
HSBC
Bank of China
Huishang Bank
Industrial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

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

COMPANY'S WEBSITE

www.xyglass.com.hk

SHARE INFORMATION

Place of listing: GEM of the Stock Exchange
Stock code: 08328
Listing date: 11 July 2016
Board lot: 4,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this
interim report: HK\$1.38
Market capitalisation as of the date of this
interim report:
Approximately HK\$894 million

The Board is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2019 together with the comparative unaudited figures for the six months ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Note	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	2	46,329	50,490	86,722	77,450
Cost of revenue	5	(35,163)	(32,502)	(65,133)	(51,936)
Gross profit		11,166	17,988	21,589	25,514
Other income	3	1,431	1,815	2,237	3,469
Other gains/(losses), net	3	(121)	54	(1,197)	(25)
Selling and marketing costs	5	(1,272)	(2,258)	(2,315)	(3,801)
Administrative expenses	5	(7,265)	(8,571)	(13,099)	(13,225)
Operating profit		3,939	9,028	7,215	11,932
Finance income	4	1,497	225	2,133	273
Finance costs	4	—	(266)	—	(456)
Profit before income tax		5,436	8,987	9,348	11,749
Income tax expense	6	(330)	(2,114)	(805)	(2,974)
Profit for the period		5,106	6,873	8,543	8,775
Other comprehensive income: <i>Item that may be subsequently reclassified to profit or loss:</i>					
Currency translation differences		(5,299)	(10,708)	(573)	(3,282)
Total comprehensive (loss)/ income attributable to owners of the Company		(193)	(3,835)	7,970	5,493
Basic and diluted earnings per share (HK cents)	7	0.79	1.15	1.32	1.54

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	9	103,223	97,286
Right-of-use assets	9	25,243	—
Leasehold land and land use right	9	—	12,762
Intangible asset	9	3,922	4,063
Financial asset at fair value through other comprehensive income		14,061	14,084
Prepayments for plant and equipment	10	740	1,035
		<u>147,189</u>	<u>129,230</u>
Current assets			
Inventories		38,545	39,472
Contract assets, trade receivables, other receivables and prepayments	10	60,920	62,567
Cash and cash equivalents		213,432	213,887
		<u>312,897</u>	<u>315,926</u>
Total assets		<u>460,086</u>	<u>445,156</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	6,481	6,481
Reserves		378,033	369,993
Total equity		<u>384,514</u>	<u>376,474</u>

	Note	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		404	406
Lease liabilities	13	6,755	—
		<u>7,159</u>	406
Current liabilities			
Contract liabilities, trade and other payables	13	63,125	56,527
Current income tax liabilities		5,288	11,749
		<u>68,413</u>	<u>68,276</u>
Total liabilities		<u>75,572</u>	<u>68,682</u>
Total equity and liabilities		<u>460,086</u>	<u>445,156</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Share option reserves HK\$'000	Exchange reserves HK\$'000	Financial asset at fair value through other comprehensive income reserve HK\$'000	Statutory reserves HK\$'000	Retained profit HK\$'000	Total equity HK\$'000
Balance at 1 January 2019 (Audited)	6,481	233,987	13,587	3,058	(5,259)	9,939	6,616	108,065	376,474
Comprehensive income									
Profit for the period	–	–	–	–	–	–	–	8,543	8,543
Other comprehensive income									
Currency translation differences	–	–	–	–	(573)	–	–	–	(573)
Total comprehensive income	–	–	–	–	(573)	–	–	8,543	7,970
Transactions with owners									
Employee's share option scheme:									
– Value of employee services	–	–	–	70	–	–	–	–	70
Balance at 30 June 2019 (Unaudited)	<u>6,481</u>	<u>233,987</u>	<u>13,587</u>	<u>3,128</u>	<u>(5,832)</u>	<u>9,939</u>	<u>6,616</u>	<u>116,608</u>	<u>384,514</u>
Balance at 1 January 2018 (Audited)	5,401	36,175	13,587	2,951	5,529	4,178	615	54,970	123,406
Comprehensive income									
Profit for the period	–	–	–	–	–	–	–	8,775	8,775
Other comprehensive income									
Currency translation differences	–	–	–	–	(3,282)	–	–	–	(3,282)
Total comprehensive income	–	–	–	–	(3,282)	–	–	8,775	5,493
Transactions with owners									
Issuance of shares, net of transaction costs	1,080	197,812	–	–	–	–	–	–	198,892
Employee's share option scheme:									
– Value of employee services	–	–	–	37	–	–	–	–	37
Balance at 30 June 2018 (Unaudited)	<u>6,481</u>	<u>233,987</u>	<u>13,587</u>	<u>2,988</u>	<u>2,247</u>	<u>4,178</u>	<u>615</u>	<u>63,745</u>	<u>327,828</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash generated from/(used in) operations	22,367	(19,826)
Interest paid	—	(456)
Income tax paid	(7,266)	(2,972)
Net cash generated from/(used in) operating activities	15,101	(23,254)
Cash flows from investing activities		
Purchases of plant and equipment	(14,875)	(6,174)
Government grant received and write-off with property, plant and equipment	—	4,064
Other investing cash flow – net	2,133	273
Net cash used in investing activities	(12,742)	(1,837)
Cash flows from financing activities		
Net proceeds from issuance of ordinary shares for rights issues	—	198,892
Repayment of bank borrowings	—	(25,000)
Principal elements of lease payments	(2,805)	—
Net cash (used in)/generated from financing activities	(2,805)	173,892
Net (decrease)/increase in cash and cash equivalents	(446)	148,801
Cash and cash equivalents at beginning of the period	213,887	39,448
Effect of foreign exchange rate changes	(9)	(167)
Cash and cash equivalents at end of the period	213,432	188,082

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and Hong Kong Accounting Standards (“**HKAS**”) 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements, except for the adoption of the below new HKFRSs and amendments to HKFRSs that are first effective for the financial year ending 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of which has significant financial impact to the Group except for HKFRS 16:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019

The Group leases various offices, warehouses, retail stores and plant. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

	HK\$'000
Operating lease commitments disclosed as at 31 December 2018	19,055
Less:	
Short-term leases recognised on a straight-line basis as expense	(734)
	<u>18,321</u>
Discounted using the lessee' s incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	<u>15,697</u>
Add:	
Reclassification of leasehold land and land use rights	<u>12,762</u>
Right-of-use assets recognised as at 1 January 2019	<u><u>28,459</u></u>

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 HK\$'000	1 January 2019 HK\$'000
Leasehold land and land use rights	12,497	12,762
Buildings	12,746	15,697
Total right-of-use assets	25,243	28,459
Current lease liabilities	6,092	6,093
Non-current lease liabilities	6,755	9,604
Total lease liabilities	12,847	15,697

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets - increase by HK\$28,459,000
- Leasehold land and land use rights - decrease by HK\$12,762,000
- Lease liabilities (current portion) - increase by HK\$6,093,000
- Lease liabilities (non-current portion) - increase by HK\$9,604,000

There was no impact on retained profit on 1 January 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(i) Impact on segment disclosures and profit

Segment gross profit for the six months ended 30 June 2019, segment assets and segment liabilities as at 30 June 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment gross profit HK\$'000	Segment assets HK\$'000	Segment liabilities HK\$'000
Production and sales of lithium battery products	116	7,484	7,565
Sales of automobile glass with installation and repair services	103	5,262	5,282
	<u>219</u>	<u>12,746</u>	<u>12,847</u>

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics ;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(ii) *Practical expedients applied (Continued)*

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 *Determining whether an Arrangement contains a Lease*.

The Group has not applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The Group has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

The unaudited condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$") which is the same as the functional currency of the Company.

2. REVENUE AND SEGMENT INFORMATION

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

The executive Directors determine the reportable segments from service/product perspective. The executive directors identified four operating segments, which represent the Group's reportable segments, respectively, including (1) battery pack and energy storage system; (2) production and sales of lithium battery products; (3) sales of automobile glass with installation and repair services; and (4) other segments (trading of forklifts and wind farm related business).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June 2019 (Unaudited)				
	Battery pack and energy storage system HK\$'000	Production and sales of lithium battery products HK\$'000	Sales of automobile glass with installation and repair services HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue	33,590	27,080	24,913	12,839	98,422
Inter-segment revenue	—	(11,700)	—	—	(11,700)
Revenue from external customer	33,590	15,380	24,913	12,839	86,722
Cost of revenue	(21,946)	(15,954)	(17,993)	(9,240)	(65,133)
Gross profit/(loss)	<u>11,644</u>	<u>(574)</u>	<u>6,920</u>	<u>3,599</u>	<u>21,589</u>

	Six months ended 30 June 2018 (Unaudited)				
	Battery pack and energy storage system HK\$'000	Production and sales of lithium battery products HK\$'000	Sales of automobile glass with installation and repair services HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue	35,494	23,377	26,491	4,016	89,378
Inter-segment revenue	—	(11,928)	—	—	(11,928)
Revenue from external customer	35,494	11,449	26,491	4,016	77,450
Cost of revenue	(22,356)	(9,006)	(17,529)	(3,045)	(51,936)
Gross profit/(loss)	<u>13,138</u>	<u>2,443</u>	<u>8,962</u>	<u>971</u>	<u>25,514</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Segment gross profit	21,589	25,514
Unallocated:		
Other income (Note 3)	2,237	3,469
Other (losses)/gains, net (Note 3)	(1,197)	(25)
Selling and marketing costs (Note 5)	(2,315)	(3,801)
Administrative expenses (Note 5)	(13,099)	(13,225)
Finance income (Note 4)	2,133	273
Finance costs (Note 4)	—	(456)
Profit before income tax	<u>9,348</u>	<u>11,749</u>

During the six months ended 30 June 2019, Customer A and B accounted for 19.8% (2018: 39.7%) and 31.2% (2018: 15.2%) of the total revenue of the Group, respectively. Revenue from customer A are attributed to the battery pack and energy storage system business, trading of forklift and wind farm related business. Revenue for Customer B is attributed to the battery pack and energy storage system business and production and sales of lithium battery products business.

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

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
The PRC	61,809	50,959
Hong Kong	24,913	26,491
	<u>86,722</u>	<u>77,450</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive directors for the reportable segments is as follows:

	Assets and liabilities				
	Battery pack and energy storage system HK\$'000	Production and sales of lithium battery products HK\$'000	Sales of automobile glass with installation and repair services HK\$'000	Others HK\$'000	Total HK\$'000
At 30 June 2019 (Unaudited)					
Total assets	<u>77,253</u>	<u>228,493</u>	<u>40,737</u>	<u>26,085</u>	<u>372,568</u>
Total liabilities	<u>(9,096)</u>	<u>(52,810)</u>	<u>(11,030)</u>	<u>(1,746)</u>	<u>(74,682)</u>
At 31 December 2018 (Audited)					
Total assets	<u>94,731</u>	<u>197,273</u>	<u>43,709</u>	<u>24,862</u>	<u>360,575</u>
Total liabilities	<u>(15,156)</u>	<u>(44,338)</u>	<u>(7,177)</u>	<u>(1,050)</u>	<u>(67,721)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Assets as at		Liabilities as at	
	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Segment assets/(liabilities)	372,568	360,575	(74,682)	(67,721)
Unallocated:				
Prepayments, deposits and other receivables	95	169	—	—
Cash and bank balances	87,423	84,412	—	—
Other payables	—	—	(890)	(961)
Total assets/(liabilities)	460,086	445,156	(75,572)	(68,682)

Non-current assets

	As at	
	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Mainland China	115,386	103,376
Hong Kong	17,742	11,770
	133,128	115,146

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other income				
Government grant	1,268	1,792	2,072	3,274
Others	163	23	165	195
	<u>1,431</u>	<u>1,815</u>	<u>2,237</u>	<u>3,469</u>
Other gains/(losses), net				
Exchange (losses)/gains	2	55	(1,197)	(23)
Net disposal (losses)/gain from plants and equipment	(123)	(1)	—	(2)
	<u>(121)</u>	<u>54</u>	<u>(1,197)</u>	<u>(25)</u>

4. FINANCE INCOME AND FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Finance income				
Interest income on bank deposits	1,497	225	2,133	273
Finance costs				
Interest on bank borrowings	—	(433)	—	(700)
Interest on leases	(175)	—	(350)	—
Less: Interest expense capitalised on qualifying assets	175	167	350	244
	<u>—</u>	<u>(266)</u>	<u>—</u>	<u>(456)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. EXPENSE BY NATURE

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

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cost of inventories	38,313	27,628
Write-off of inventories	77	102
Depreciation expenses	8,873	6,045
Amortisation expenses	138	—
Employee benefit expenses (including directors' emoluments)	23,827	18,792
Motor vehicle expenses	1,113	1,103
Operating lease payments in respect of rented premises	908	4,436
Legal and professional fees	1,359	1,636
Utility expenses	3,122	3,308
Other expenses	2,817	5,912
	80,547	68,962

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current income tax				
– Hong Kong profits tax	97	650	158	928
– PRC Corporate Income Tax ("CIT")	233	1,464	647	2,046
	<u>330</u>	<u>2,114</u>	<u>805</u>	<u>2,974</u>

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

CIT is provided on the estimated taxable profits of its subsidiaries established in the PRC for the period calculated in accordance with the relevant tax rules and regulations.

One of the PRC subsidiaries, being qualified as a New and High Technology Enterprise since the fourth quarter of 2018, is entitled to a preferential CIT rate of 15% during this period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 and 2018.

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	5,106	6,873	8,543	8,775
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)	648,136	595,905	648,136	568,163
Basic earnings per share (HK cents)	0.79	1.15	1.32	1.54

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares from share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share (2018: outstanding share option was anti-dilutive).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7. EARNINGS PER SHARE (CONTINUED)

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company used to determine the diluted earnings per share (HK\$'000)	5,106	6,873	8,543	8,775
Weighted average number of ordinary shares in issue (thousands)	648,136	595,905	648,136	568,163
Adjustment for share option (thousands)	10	—	19	—
	<u>648,146</u>	<u>595,905</u>	<u>648,155</u>	<u>568,163</u>
Diluted earnings per share (HK cents)	<u>0.79</u>	<u>1.15</u>	<u>1.32</u>	<u>1.54</u>

8. DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2019 (2018: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9. CAPITAL EXPENDITURE

	Plant and equipment HK\$'000	Leasehold land and land use right HK\$'000	Right-of-use assets HK\$'000	Intangible asset HK\$'000
Six months ended 30 June 2019				
(Unaudited)				
Opening net book amount at 1 January 2019	97,286	12,762	—	4,063
Additions	15,170	—	—	—
Recognition upon adoption of HKFRS 16	—	(12,762)	28,459	—
Depreciation/Amortisation	(5,670)	—	(3,203)	(138)
Exchange differences	(3,563)	—	(13)	(3)
Closing net book amount at 30 June 2019	<u>103,223</u>	<u>—</u>	<u>25,243</u>	<u>3,922</u>
Six months ended 30 June 2018				
(Unaudited)				
Opening net book amount at 1 January 2018	95,655	8,581	—	—
Additions	5,687	—	—	—
Reduction upon receipt of government subsidy	(4,064)	—	—	—
Depreciation/Amortisation	(5,894)	(151)	—	—
Exchange differences	(1,015)	—	—	—
Closing net book amount at 30 June 2018	<u>90,369</u>	<u>8,430</u>	<u>—</u>	<u>—</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

10. CONTRACT ASSETS, TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables (Note)	31,396	19,176
Contract assets	—	6,533
Bill receivables	11,716	29,031
Prepayments	10,599	2,135
Value added tax recoverable	737	1,535
Deposits and other receivables	7,212	5,192
	61,660	63,602
Less: non-current portion	(740)	(1,035)
Current portion	60,920	62,567

Note:

The majority of credit period granted by the Group to its customers is 30 to 60 days. At 30 June 2019 and 31 December 2018, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
0 - 60 days	21,715	9,141
61 - 180 days	8,797	9,346
181 - 365 days	207	94
Over 365 days	677	595
	31,396	19,176

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. SHARE CAPITAL

The number of the Company's shares authorised and issued as of 30 June 2019 and 31 December 2018 are as follows:

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	2,000,000,000,000	20,000,000
Ordinary shares, issued and fully paid:		
At 1 January 2018 (Audited)	540,112,962.38	5,401
Issuance of ordinary shares upon rights issue (Note)	108,022,591	1,080
At 30 June 2018, 31 December 2018 and 30 June 2019 (Unaudited)	648,135,553.38	6,481

Note:

During the six months ended 30 June 2018, the Group raised fund by way of rights issue of approximately 108,023,000 rights shares on the basis of one rights share for every five existing shares of the Company at a subscription price of HK\$1.85 per rights share (the "Rights Issue"). The rights shares were issued on 15 May 2018 and net proceeds of approximately HK\$198.89 million were raised by the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12. SHARE OPTIONS

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

	For the six months ended 30 June	
	2019 Options (units)	2018 Options (units)
At 1 January	900,077	312,000
Forfeited	(196,871)	—
Adjustment on rights issue	—	8,493
At 30 June	703,206	320,493

Details of the share options outstanding at 30 June 2019 (after adjustments of the exercise prices and the number of share options as a result of the rights issue completed in May 2018) and 31 December 2018 are as follows:

Expiry date	At 30 June 2019 (Unaudited)		At 31 December 2018 (Audited)	
	Exercise price in HK dollars per share	Options (units)	Exercise price in HK dollars per share	Options (units)
31 March 2021	1.52	219,401	1.52	260,077
31 March 2022	1.95	483,805	1.95	640,000
		703,206		900,077

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables (Note)		
– Third parties	23,279	8,043
– Related companies	3,053	953
	26,332	8,996
Amounts due to related companies (non-trade)	—	2,377
Accrued salaries and bonus	8,048	11,994
Other payables for plant and equipment	15,766	23,993
Other creditors and accruals	5,750	3,474
Retention payables for disposal of old facilities of scraps	1,137	5,693
Lease liabilities	12,847	—
	69,880	56,527
Less: non-current portion	(6,755)	—
Current portion	63,125	56,527

Note:

The ageing analysis of trade payables based on invoice date as at the balance sheet date is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 90 days	25,404	8,557
91 - 180 days	571	344
Over 180 days	357	95
	26,332	8,996

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. FINANCIAL RISK MANAGEMENT

Fair value estimation

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (Continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2019 (Unaudited)				
Assets				
Financial asset at fair value through other comprehensive income	—	—	14,061	14,061
As at 31 December 2018 (Audited)				
Assets				
Financial asset at fair value through other comprehensive income	—	—	14,084	14,084

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

	HK\$'000
As at 31 December 2018 and 1 January 2019 (Audited)	
Currency translation differences	14,084 (23)
As at 30 June 2019 (Unaudited)	14,061

Instruments included in level 3 represent unlisted equity interest, which was classified as financial asset at fair value through other comprehensive income.

The fair value of financial asset at fair value through other comprehensive income is determined using discounted cash flow approach.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2019 and 2018, save as disclosed elsewhere in the report, the Group carried out the following significant transactions with its related parties:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Purchases of automobile glass from Xinyi Glass Group	2,393	2,587
Revenue for processing of lithium battery energy storage products received from Xinyi Glass Group	15,638	29,379
Revenue for processing of lithium battery energy storage products received from Xinyi Solar Group	304	—
Sale of forklift battery charger to Xinyi Glass Group	735	291
Sale of forklift battery charger to Xinyi Solar Group	528	178
Management fee received from Xinyi Glass Group	783	1,054
Electricity expenses paid to Xinyi Solar Group	610	—
Share option expenses recharged by Xinyi Glass	14	74
Operating lease payments in respect of office premises paid to Xinyi Glass Group	134	60
Operating lease rental to Mr. LEE Shing Kan and Mr. TUNG Fong Ngai	228	228

The transactions with related companies are entered into at terms mutually agreed between the relevant parties.

Key management compensation amounted to HK\$3,151,000 for the six months ended 30 June 2019 (2018: HK\$3,987,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16. CAPITAL COMMITMENT

The capital expenditure contracted but not yet incurred is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Commitment for acquisition of property, plant and equipment	<u>2,264</u>	<u>1,896</u>

BUSINESS REVIEW AND PROSPECTS

Battery packs, Energy Storage Systems and Lithium Battery Products Businesses — Focuses on Upgrading Existing Products and Actively Developing New Products to Seize Market Opportunities Going Forward

The Group commenced production and sale of lithium battery products in mid-2017 and has started to sell battery packs and energy storage systems in these two years. The business has delivered satisfactory results so far. According to the “2019 Energy Storage Industry Research White Paper (《儲能產業研究白皮書二零一九》)”, Xinyi Hong Kong was one of the top 10 energy storage technology suppliers in terms of installed capacity among the new electrochemical energy storage projects in operation in China during 2018. The paper projects the output value of the Chinese lithium energy storage battery sector to be grew consistently in the next five years, suggesting that the lithium energy storage battery market has enormous future development potential.

The manufacture and sales of battery packs, energy storage systems and lithium battery products is the Group’s key business and focus. During the period under review, the Group continued to expand R&D and production of lithium battery products and provide comprehensive power supply product applications, technological services, and solutions. In the first half of 2019, the Group’s products covered lithium batteries, forklift battery pack systems, industrial energy storage systems, commercial energy storage systems, and micro (residential) energy storage systems, widely used in areas such as load shifting, forklifts, back-up power supply, and load and frequency regulation.

In addition to existing products, the Group has also actively developed new battery packs and energy storage systems. During the period, the Group started to deliver and sell micro energy storage products, with applications including micro-grids in remote areas, residential photovoltaic generation and energy storage integration and back-up power supply. Moreover, it has focused on optimising the production technology of batteries, as well as R&D and systems integration of battery packs for forklifts, commercial, industrial and residential energy storage systems and battery management systems (“**BMS**”). Through R&D and innovation, the Group has been able to continually upgrade product functions and optimise its product structure.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Currently, lithium battery prices are declining and pricing of energy storage products follows. While, in the short run, that poses pressure on the gross profit margin of industry players, the trend will create favourable conditions for the energy storage industry to scale up in the long run. The Group has maintained product competitiveness through technological advancement and internal cost control in order to lower costs. During the period, unit cost of energy storage systems decreased by around 30% against the last corresponding period, laying a strong foundation for mass promotion in the future. Driven by the lower costs of lithium batteries and policies supportive of the energy storage market, going forward, the Group expects its energy storage systems and battery pack systems businesses to continue to be its core pursuits. To meet fast-growing market demand, the Group targets to expand the annual production capacity of its production base from 300 million watt-hours to over 1.3 billion watt-hours in the coming two years. The Group will also give full play to the advantages of its vertically-integrated industrial chain, aiming to continuously reduce costs, enhance crucial technologies and strengthen the market competitiveness of its products.

Automobile Glass Repair and Replacement Business — Continues to Groom Market to Help the Group Consolidate its Business Foundation

The Group is currently one of the top three automobile glass repair and replacement service providers in Hong Kong boasting a broad customer base and a strategic service network. The Group will continue to implement an active sales and marketing strategy to reinforce and diversify its customer base. It will also strengthen business relations with insurance companies, enlarge the market share of its core business in Hong Kong to give its business an even stronger foundation, and also continue to generate stable cashflow for the Group to support development of its new core business.

Xinyi Hong Kong managed stable growth of its results in the first half of 2019. Heeding times and trends, we will continue to actively optimise existing products and develop new products to help us grasp opportunities in the market. Capitalising on our market leadership, we will keep enlarging our market share. Looking ahead, the Group will seize to tap the thriving energy storage market, through innovation and technological development with a focus on developing new energy business including battery packs, energy storage systems and lithium battery products. Regarding the automobile glass repair and replacement business, the Group will execute an active marketing strategy and build on the good working relationship it has with customers in order to boost profitability. We have great confidence in the Group's long-term business development and the outlook of the market, and subsequently generating satisfactory returns for shareholders in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, the Group's revenue was HK\$86.7 million (2018: HK\$77.5 million), representing an increase by 12.0% mainly attributable to the change in revenue contributed by business segments as analysed as follows:

	Six months ended 30 June					
	2019		2018		Increase	
	HK\$'million	%	HK\$'million	%	HK\$'million	%
Battery pack and energy storage system	33.6	38.7	35.5	45.8	-1.9	-5.4
Production and sales of lithium battery products	15.4	17.8	11.4	14.8	4.0	34.3
Sale of automobile glass with installation and repair services	24.9	28.7	26.5	34.2	-1.6	-6.0
Others (Trading of forklift and wind farm related business)	12.8	14.8	4.1	5.2	8.7	219.7
Total revenue	86.7	100	77.5	100	9.2	12.0

The slight decrease in revenue contributed by battery pack and energy storage system is due to the average exchange rate of RMB against HKD decreases by about 6.3% period-on-period.

The increase in revenue from production and sales of lithium battery products is due to increase in market demand, especially from forklift manufacturers.

The increase in revenue of "Others" business segment is mainly due to the increase in revenue contributed by trading of forklift.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Cost of revenue and gross profit

Cost of revenue comprised of HK\$21.9 million (2018: HK\$22.4 million) arising from the battery pack and energy storage system business, HK\$16.0 million (2018: HK\$9.0 million) arising from lithium battery products business, HK\$18.0 million (2018: HK\$17.5 million) arising from the sales of automobile glass with installation and repair services business, and HK\$9.2 million (2018: HK\$3.0 million) arising from others (trading of forklifts and wind farm related business).

Cost of revenue for the battery pack and energy storage system business of HK\$21.9 million (2018: HK\$22.4 million) and cost of revenue of lithium battery products business of HK\$16.0 million (2018: HK\$9.0 million) mainly represent the material cost, labour cost, depreciation expenses of the plant and machinery. There is a gross loss for the lithium battery products business for current period as there is intense price competition in the lithium battery sector. However there is plant rental expenses refundable from the government of the People's Republic of China (the "PRC") which gave rise to a corresponding other income and such other income exceed the gross loss.

Cost of revenue arising from sales of automobile glass with installation and repair services increased by approximately 2.7% from HK\$17.5 million for the six months ended 30 June 2018 to approximately HK\$18.0 million for current period. The gross profit decreased by 22.8% from approximately HK\$9.0 million for the six months ended 30 June 2018 to approximately HK\$6.9 million for current period. The increase in cost of revenue was because the rental and the other overhead expenses (including labour costs) increased.

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

Expenses

Selling and marketing costs for the period decreased by approximately HK\$1.5 million which was mainly due to decrease in employee benefit expenses and advertisement costs for the relevant activities.

Administrative expenses remain relatively constant at approximately HK\$13.1 million (2018: HK\$13.2 million) for the six months ended 30 June 2019.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2019 amounted to HK\$8.5 million (2018: HK\$8.8 million). The decrease in the profitability was mainly attributable to the operating performance of the Group as analysed above.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial resources and liquidity

For the six months ended 30 June 2019, the Group's primary source of funding included its own working capital and the net proceeds from the Rights Issue in May 2018. As at 30 June 2019, the Group had net current assets of HK\$244.5 million (31 December 2018: HK\$247.7 million), cash and cash equivalents of HK\$213.4 million (31 December 2018: HK\$213.9 million) which were placed with major banks in Hong Kong and the PRC, and no bank borrowings (31 December 2018: Nil). As at 30 June 2019, the Group has unutilised banking facilities of HK\$110 million (31 December 2018: HK\$60 million).

The Group's net debt gearing ratio calculated based on net debt (calculated as total borrowings less cash and bank balances) divided by the shareholders' equity of the Group was not applicable as the Group had no net debt as at 30 June 2019 and 31 December 2018.

Capital structure

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

Capital expenditures and commitments

The Group incurred capital expenditures of HK\$14.9 million for the six months ended 30 June 2019 (2018: HK\$6.0 million) which was mainly related to the set-up and construction of lithium battery plants in the PRC.

Capital commitments contracted for but not incurred by the Group as at 30 June 2019 amounted to HK\$2.3 million (31 December 2018: HK\$1.9 million) which were mainly related to the construction of the new lithium battery plant in the PRC.

Pledge of assets

No assets of the Group were pledged as security for bank borrowings as at 30 June 2019 and 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Employees and remuneration policies

As at 30 June 2019, the Group had 263 (31 December 2018: 269) full-time employees of whom 202 (31 December 2018: 213) were based in China and 61 (31 December 2018: 56) were based in Hong Kong. The Group maintains good relationships with all of its employees. It provides the employees with sufficient training in business and professional knowledge including information about the applications of the Group's products and skills in maintaining good customer relationships. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

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

Share Option Scheme

Pursuant to the share option scheme adopted by the Company in May 2017, no share options were granted during the six months ended 30 June 2019.

Dividend

The Directors do not recommend the payment of dividend for the six months ended 30 June 2019.

Treasury policies and exposure to fluctuation in exchange rates

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

Amid the recent depreciation of RMB against HK\$, the Group reported HK\$0.6 million non-cash translation loss - a decrease in the reserve of its consolidated balance sheet - when converting RMB-denominated assets and liabilities into HK\$ at 30 June 2019.

The Group transacts mainly in HK\$ and RMB. However, the Group retains some bank balances in HK\$ in PRC which contributed to a foreign currency translation loss of approximately HK\$1.2 million as HK\$ fluctuates against RMB during the period.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. During the six months ended 30 June 2019, the Group did not use any financial instrument for hedging purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Use of Proceeds of Rights Issue

In May 2018, the Company raised net proceeds of approximately HK\$198.9 million by way of Rights Issue of 108,022,591 rights shares. The table below sets out the proposed applications of the net proceeds and actual utilisation up to 30 June 2019.

	Proposed applications of the net proceeds HK\$ million	Amount utilised up to 30 June 2019 HK\$ million	Unutilised balance as at 30 June 2019 HK\$ million
Set-up new production lines for lithium batteries business	135.4	13.0	122.4
Repay the outstanding capital expenditure of the existing lithium battery production facilities	24.7	20.3	4.4
General working capital	38.8	38.8	—
Total	<u>198.9</u>	<u>72.1</u>	<u>126.8</u>

The unutilised net proceeds from the Rights Issue have been deposited into reputable banks in Hong Kong and Mainland China.

Significant investments held, material acquisitions and disposals of subsidiaries, and future plans for material investments or capital assets

As at 30 June 2019, there were no significant investments held which exceed 5% of the total assets of the Group. There were no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2019. Save as those disclosed elsewhere in this report, there was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this report.

Contingent liabilities

As at 30 June 2019, the Group did not have any significant contingent liability (31 December 2018: Nil).

Event after the reporting period

No significant events have taken place subsequent to 30 June 2019 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in directors' information are as follows:

On 10 May 2019, our independent non-executive director Mr. Chan Hak Kan, B.B.S, JP was appointed to act as the independent non-executive director of Imagi International Holdings Limited (stock code: 00585), a company listed on the Stock Exchange.

On 21 May 2019, our independent non-executive director Mr. NG Wai Hung was appointed to act as the independent non-executive director of Winshine Science Company Limited (stock code: 00209), a company listed on the Stock Exchange.

In November 2018, our chairman and non-executive director Tan Sri Datuk TUNG Ching Sai P.S.M., D.M.S.M. was appointed to act as executive director and vice chairman of Xinyi Energy Holdings Limited ("Xinyi Energy"). In May 2019, Xinyi Energy (stock code: 03868) was spun off from Xinyi Solar Holdings Limited (stock code: 00968) and became separately listed on the Stock Exchange.

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

As at 30 June 2019, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the model code for securities transactions by Directors of the Company (the "**Model Code**"), were as follows:

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(i) Long Position in the Share

Director/ Chief executive	Capacity	Name of the controlled corporations	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Tan Sri Datuk TUNG Ching Sai P.S.M., D.M.S.M.	Interest in a controlled corporation	Copark ⁽¹⁾ (as defined below)	37,039,885	5.71
		Full Guang ⁽³⁾ (as defined below)	4,436,100	0.68
	Personal interest/ Spouse interest ⁽¹⁾		96,977,100	14.96
	Interest in persons acting in concert ⁽²⁾		449,005,649	69.28
Mr. NG Ngan Ho	Interest in a controlled corporation	Linkall ⁽⁴⁾ (as defined below)	11,798,086	1.82
		Full Guang ⁽¹⁾ (as defined below)	4,436,100	0.68
	Personal interest		1,110,000	0.17
	Interest in persons acting in concert ⁽²⁾		449,005,649	69.28

Notes:

- (1) Tan Sri Datuk TUNG Ching Sai P.S.M., D.M.S.M. is the beneficial owner of all the issued share capital of Copark Investment Limited ("**Copark**"), a company incorporated in the BVI and wholly-owned by Tan Sri Datuk TUNG Ching Sai P.S.M., D.M.S.M., which is the registered owner of 37,039,885 Shares. Tan Sri Datuk TUNG Ching Sai P.S.M., D.M.S.M. also has personal interest in 436,200 Shares held in his own name and 96,540,900 Shares held through his spouse, Madam SZE Tang Hung.
- (2) Pursuant to the shareholders' agreement dated 25 June 2016 (the "**Shareholders' Agreement**"), the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under the Xinyi Glass Distribution (as defined in the Prospectus dated 28 June 2016).
- (3) The interests in our 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%, Tan Sri Datuk TUNG Ching Sai P.S.M., D.M.S.M. 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%.
- (4) Mr. NG Ngan Ho is the beneficial owner of all the issued share capital of Linkall Investment Limited ("**Linkall**"), a company incorporated in the BVI and wholly-owned by Mr. NG Ngan Ho.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(ii) Share options of the Company

Director	Capacity	Number of share options outstanding	Approximate percentage of the issued share capital of the Company (%)
Ms. LI Pik Yung	Personal interest	85,088	0.01
Mr. CHAN Chi Leung	Personal interest	85,088	0.01

Save as disclosed above, as at 30 June 2019, to the knowledge of the Company, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by directors during the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

So far as is known to the Directors, as at 30 June 2019, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in the Ordinary shares of the Company

Name of our Controlling Shareholders	Nature of interest and capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Dr. LEE Yin Yee, B.B.S.	Interest in controlled corporation ⁽³⁾	108,781,432	16.78
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest ⁽³⁾	34,141,500	5.27
	Interest in persons acting in concert ⁽²⁾	449,005,649	69.28
Mr. TUNG Ching Bor	Interest in a controlled corporation ⁽⁴⁾	40,014,968	6.17
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest ⁽⁴⁾	8,863,200	1.37
	Interest in persons acting in concert ⁽²⁾	449,005,649	69.28

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Name of our Controlling Shareholders	Nature of interest and capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company (%)
Mr. LEE Sing Din	Interest in a controlled corporation ⁽⁵⁾	37,739,263	5.82
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest	3,115,500	0.48
	Interest in persons acting in concert ⁽²⁾	449,005,649	69.28
Mr. LI Ching Wai	Interest in a controlled corporation ⁽⁶⁾	17,487,129	2.70
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Interest in persons acting in concert ⁽²⁾	449,005,649	69.28
Mr. LI Man Yin	Interest in a controlled corporation ⁽⁷⁾	11,856,285	1.83
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest ⁽⁷⁾	1,551,000	0.24
	Interest in persons acting in concert ⁽²⁾	449,005,649	69.28
Mr. SZE Nang Sze	Interest in a controlled corporation ⁽⁸⁾	17,140,616	2.64
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest	1,002,000	0.15
	Interest in persons acting in concert ⁽²⁾	449,005,649	69.28
Mr. LI Ching Leung	Interest in a controlled corporation ⁽⁹⁾	11,678,085	1.80
	Interest in controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest ⁽⁹⁾	4,273,500	0.66
	Interest in persons acting in concert ⁽²⁾	449,005,649	69.28

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (1) The interests in our Shares are held through 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%, Tan Sri Datuk TUNG Ching Sai P.S.M., D.M.S.M. 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%.
- (2) Pursuant to the Shareholders' Agreement dated 25 June 2016 and entered amongst our controlling shareholders (as defined in the GEM Listing Rules), each of the parties has agreed to grant a right of first offer to the other parties if any of them intends to sell their Shares allotted to them under the Xinyi Glass Distribution.
- (3) Dr. LEE Yin Yee, B.B.S.'s interests in 108,781,432 Shares are held through Realbest Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Dr. LEE Yin Yee, B.B.S.. Dr. LEE Yin Yee, B.B.S.'s interests in 34,141,500 Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.
- (4) Mr. TUNG Ching Bor's interests in 40,014,968 Shares are held through High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. TUNG Ching Bor's interests in 8,863,200 Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.
- (5) Mr. LEE Sing Din's interest in Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din.
- (6) Mr. LI Ching Wai's interests in Shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.
- (7) Mr. LI Man Yin's interests in 11,856,285 Shares are held through Perfect All Investments Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Man Yin. Mr. LI Man Yin's interests in 1,551,000 Shares are held through a joint account with his spouse, Madam LI Sau Suet.
- (8) Mr. SZE Nang Sze's interests in Shares are held through Goldpine Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.
- (9) Mr. LI Ching Leung's interests in 11,678,085 Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung has personal interests in 4,213,500 Shares held in his own name and 60,000 Shares held through his spouse, Madam DY Maria Lumin.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

As far as the Directors are aware of, during the six months ended 30 June 2019, none of the Directors and their respective associates (as defined in the GEM Listing Rules) or the controlling shareholders (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete (directly or indirectly) with the business of the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is committed to ensuring and upholding a high standard of corporate governance, transparency and business practices, which are fundamental to the success of the Group and protecting the overall interests of our Company and our shareholders. The Company's corporate governance practices are based on the principles of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. During the six months ended 30 June 2019, the Company had complied with the applicable code provisions set out in the CG Code.

AUDIT COMMITTEE

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

The unaudited condensed consolidated financial information of the Company for the six months ended 30 June 2019 has been reviewed by the audit committee.

By Order of the Board
Xinyi Automobile Glass Hong Kong Enterprises Limited
信義汽車玻璃香港企業有限公司
Tan Sri Datuk TUNG Ching Sai P.S.M., D.M.S.M.
Chairman

Hong Kong, 6 August 2019

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

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