



2020

INTERIM REPORT



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

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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 of the Stock Exchange (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

Mr. NG Ngan Ho[^]
(Appointed with effect from 16 May 2020)

Ms. LI Pik Yung

Mr. CHAN Chi Leung[^]
(Resigned with effect from 16 May 2020)

Non-executive Directors

Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M*
(Chairman)⁻

Mr. LEE Shing Kan^ø

Independent non-executive Directors

Mr. WANG Guisheng^{† ø <}

Mr. NG Wai Hung^{# <}

Mr. CHAN Hak Kan, B.B.S., JP^{# †}

- ^{*} 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
- [^] Compliance officer

COMPANY SECRETARY

Mr. CHAN Chi Leung, CPA
(Resigned with effect from 16 May 2020)

Mr. CHEUNG Siu On Victor, CPA
(Appointed with effect from 16 May 2020)

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2116-2117, 21st Floor
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No. 135 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

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



AUDITOR

BDO Limited
Certified Public Accountant
25/F, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian 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\$1.02
Market capitalisation as of the date of this
interim report:
Approximately HK\$661 million



The Board is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2020 together with the comparative unaudited figures for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	51,346	46,329	80,909	86,722
Cost of revenue		(40,064)	(35,163)	(64,502)	(65,133)
Gross profit		11,282	11,166	16,407	21,589
Other income	4	1,038	1,431	1,561	2,237
Other gains/(losses), net	4	1,269	(121)	1,239	(1,197)
Selling and marketing costs		(1,189)	(1,272)	(2,050)	(2,315)
Administrative expenses		(8,683)	(7,265)	(14,110)	(13,099)
Operating profit		3,717	3,939	3,047	7,215
Finance income	5	1,392	1,497	2,335	2,133
Finance costs	5	—	—	—	—
Profit before income tax	6	5,109	5,436	5,382	9,348
Income tax expense	7	(251)	(330)	(275)	(805)
Profit for the period		4,858	5,106	5,107	8,543
Other comprehensive income:					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences on translation of financial statements of operations		1,428	(5,299)	(7,199)	(573)
Total comprehensive income for the period attributable to owners of the Company		6,286	(193)	(2,092)	7,970
Basic and diluted earnings per share (HK cents)	8	0.75	0.79	0.79	1.32



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	10	152,985	140,481
Intangible asset	10	2,737	3,185
Financial asset at fair value through other comprehensive income		13,208	13,448
Prepayments for plant and equipment	11	7,994	12,908
Deferred tax assets		1,019	746
		<u>177,943</u>	<u>170,768</u>
Current assets			
Inventories		34,617	31,134
Trade and other receivables and prepayments	11	98,195	70,978
Income tax recoverable		1,030	—
Cash and cash equivalents		168,584	220,882
		<u>302,426</u>	<u>322,994</u>
Current liabilities			
Contract liabilities, trade and other payables	12	70,909	48,665
Provision for tax		4,946	7,506
Lease liabilities		5,419	5,553
Bank borrowings		—	30,000
		<u>81,274</u>	<u>91,724</u>
Net current assets		<u>221,152</u>	<u>231,270</u>
Total assets less current liabilities		<u>399,095</u>	<u>402,038</u>



		30 June 2020	31 December 2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		<u>5,345</u>	<u>6,239</u>
Net assets		<u>393,750</u>	<u>395,799</u>
EQUITY			
Share capital	13	<u>6,481</u>	6,481
Reserves		<u>387,269</u>	<u>389,318</u>
Total equity		<u>393,750</u>	<u>395,799</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Share-based payments reserve HK\$'000	Exchange reserves HK\$'000	Financial asset at fair value through other comprehensive income reserve HK\$'000	Statutory reserves HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 January 2020 (Audited)	6,481	233,987	13,587	3,194	(10,789)	9,636	8,590	131,113	395,799
Comprehensive income									
Profit for the period	—	—	—	—	—	—	—	5,107	5,107
Other comprehensive income									
Exchange differences on translation of financial statements of operations	—	—	—	—	(7,199)	—	—	—	(7,199)
Total comprehensive income	—	—	—	—	(7,199)	—	—	5,107	(2,092)
Transactions with owners									
Share-based payment expense	—	—	—	43	—	—	—	—	43
Balance at 30 June 2020 (Unaudited)	<u>6,481</u>	<u>233,987</u>	<u>13,587</u>	<u>3,237</u>	<u>(17,988)</u>	<u>9,636</u>	<u>8,590</u>	<u>136,220</u>	<u>393,750</u>
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									
Exchange differences on translation of financial statements of operations	—	—	—	—	(573)	—	—	—	(573)
Total comprehensive income	—	—	—	—	(573)	—	—	8,543	7,970
Transactions with owners									
Share-based payment expense	—	—	—	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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	1,684	22,367
Interest paid	(284)	—
Income tax paid	(3,980)	(7,266)
Net cash (used in)/generated from operating activities	(2,580)	15,101
Cash flows from investing activities		
Purchases of plant and equipment	(17,292)	(14,875)
Other investing cash flow – net	2,335	2,133
Net cash used in investing activities	(14,957)	(12,742)
Cash flows from financing activities		
Repayment of bank borrowings	(30,000)	—
Repayment of capital element of lease liabilities	(2,056)	(2,805)
Net cash used in financing activities	(32,056)	(2,805)
Net decrease in cash and cash equivalents	(49,593)	(446)
Cash and cash equivalents at beginning of the period	220,882	213,887
Effect of foreign exchange rate changes, on cash held	(2,705)	(9)
Cash and cash equivalents at end of the period	168,584	213,432



1. GENERAL INFORMATION

The Group is principally engaged in the business of the automobile glass repair and replacement services in Hong Kong, the production and sales of lithium battery products, production and sales of as well as provision of contract processing services for battery pack and energy storage system in The People's Republic of China (the "PRC").

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. This unaudited condensed consolidated interim financial information has been approved for issue by the Directors on 3 August 2020.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure provisions of the GEM Listing Rules and Hong Kong Accounting Standards ("HKAS") 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2019, as described in 2019 annual financial statements.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) New standard, amendments to standards and interpretation adopted by the Group

The Group has adopted the following new standard, amendments to standards and interpretation for the current reporting period.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendment to HKFRS 16	Covid-19-Related Rent Concessions*

* Early adopted by the Group

Except for the early adoption of amendment to HKFRS 16, the adoption of the above new standards, amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group.

Amendment to HKFRS 16 - Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. Accordingly, the Group credited HK\$1,160,000 to profit or loss for the rent concessions received by the Group during the period (note 4). There is no impact on the opening balance of equity at 1 January 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)



2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) New standards, amendments to standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2020 and not early adopted by the Group

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Conceptual Framework for Financial Reporting ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2022

² The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Directors anticipate that the application of new and amendments to HKFRSs will have no material impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. 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) automobile glass repair and replacement 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.

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

	Six months ended 30 June 2020 (Unaudited)				
	Battery pack and energy storage system HK\$'000	Production and sales of lithium battery products HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment revenue	24,522	29,507	22,036	14,500	90,565
Inter-segment revenue	—	(9,656)	—	—	(9,656)
Revenue from external customers	<u>24,522</u>	<u>19,851</u>	<u>22,036</u>	<u>14,500</u>	<u>80,909</u>
Timing of revenue recognition					
– At a point in time	24,522	19,851	22,036	13,774	80,183
– Over time	—	—	—	726	726
	<u>24,522</u>	<u>19,851</u>	<u>22,036</u>	<u>14,500</u>	<u>80,909</u>
Cost of revenue	<u>(16,764)</u>	<u>(19,346)</u>	<u>(17,165)</u>	<u>(11,227)</u>	<u>(64,502)</u>
Gross profit	<u>7,758</u>	<u>505</u>	<u>4,871</u>	<u>3,273</u>	<u>16,407</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)



3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2019 (Unaudited)				
	Battery pack and energy storage system HK\$'000	Production and sales of lithium battery products HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment revenue	33,590	27,080	24,913	12,839	98,422
Inter-segment revenue	—	(11,700)	—	—	(11,700)
Revenue from external customers	<u>33,590</u>	<u>15,380</u>	<u>24,913</u>	<u>12,839</u>	<u>86,722</u>
Timing of revenue recognition					
– At a point in time	21,267	15,380	24,913	12,056	73,616
– Over time	<u>12,323</u>	—	—	<u>783</u>	<u>13,106</u>
Cost of revenue	<u>(21,946)</u>	<u>(15,954)</u>	<u>(17,993)</u>	<u>(9,240)</u>	<u>(65,133)</u>
Gross profit/(loss)	<u>11,644</u>	<u>(574)</u>	<u>6,920</u>	<u>3,599</u>	<u>21,589</u>



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Segment gross profit	16,407	21,589
Unallocated items:		
Other income	1,561	2,237
Other gains/(losses), net	1,239	(1,197)
Selling and marketing costs	(2,050)	(2,315)
Administrative expenses	(14,110)	(13,099)
Finance income	2,335	2,133
Finance costs	—	—
Profit before income tax	<u>5,382</u>	<u>9,348</u>

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

	Battery pack and energy storage system HK\$'000	Production and sales of lithium battery HK\$'000	Others HK\$'000	Total HK\$'000
Six months ended 30 June 2020 (Unaudited)				
– Entities under common control of a related party	N/A	N/A	N/A	N/A
– Customer A	<u>10,177</u>	<u>17,748</u>	<u>—</u>	<u>27,925</u>
Six months ended 30 June 2019 (Unaudited)				
– Entities under common control of a related party	15,638	—	1,518	17,156
– Customer A	<u>11,817</u>	<u>15,200</u>	<u>—</u>	<u>27,017</u>

N/A Transactions did not exceed 10% of the Group's revenue

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)



3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The PRC	58,649	61,809
Hong Kong	22,036	24,913
Others	224	—
	<u>80,909</u>	<u>86,722</u>

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	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
At 30 June 2020 (Unaudited)					
Total assets	<u>114,230</u>	<u>283,077</u>	<u>42,735</u>	<u>36,268</u>	<u>476,310</u>
Total liabilities	<u>(9,033)</u>	<u>(48,889)</u>	<u>(11,648)</u>	<u>(16,391)</u>	<u>(85,961)</u>
At 31 December 2019 (Audited)					
Total assets	<u>81,826</u>	<u>256,970</u>	<u>123,598</u>	<u>26,924</u>	<u>489,318</u>
Total liabilities	<u>(9,781)</u>	<u>(40,905)</u>	<u>(13,975)</u>	<u>(2,014)</u>	<u>(66,675)</u>



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. 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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Reportable segment assets/ (liabilities)	476,310	489,318	(85,961)	(66,675)
Unallocated items:				
Prepayments, deposits and other receivables	137	20	—	—
Cash and cash equivalents	3,922	4,424	—	—
Bank borrowings	—	—	—	(30,000)
Other creditors and accruals	—	—	(658)	(1,288)
Total assets/(liabilities)	<u>480,369</u>	<u>493,762</u>	<u>(86,619)</u>	<u>(97,963)</u>

An analysis of the Group's non-current assets other than financial asset at fair value through other comprehensive income and deferred tax assets by geographical area in which the assets are located is as follows:

	As at	
	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
The PRC	146,650	138,788
Hong Kong	17,066	17,786
	<u>163,716</u>	<u>156,574</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other income				
Government grants	981	1,268	1,445	2,072
Others	57	163	116	165
	<u>1,038</u>	<u>1,431</u>	<u>1,561</u>	<u>2,237</u>
Other gains/(losses), net				
Rent concession	1,160	—	1,160	—
Net gains/(losses) on disposal of old facilities, scrapped materials or plant and equipment	126	(123)	127	—
Exchange (losses)/gains	(17)	2	(48)	(1,197)
	<u>1,269</u>	<u>(121)</u>	<u>1,239</u>	<u>(1,197)</u>

5. FINANCE INCOME AND FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance income				
Interest income from bank deposits	1,392	1,497	2,335	2,133
Finance costs				
Interest on bank borrowings	—	—	70	—
Interest on leases liabilities	163	175	292	350
Less: amounts capitalised	(163)	(175)	(362)	(350)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Cost of inventories	37,688	38,313
Write-off and provision for impairment of inventories	68	77
Depreciation charge	9,638	8,873
Amortisation charge	393	138
Employee benefit expenses (including directors' emoluments)	21,768	23,827
Expense relating to short-term leases	207	908
Research and development expenses	5,936	3,733

7. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Current income tax				
– Hong Kong profits tax	74	97	74	158
– PRC Corporate Income Tax ("CIT")	315	233	479	647
	389	330	553	805
Deferred tax	(138)	—	(278)	—
	251	330	275	805

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)



7. INCOME TAX EXPENSE (CONTINUED)

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, is entitled to a preferential CIT rate of 15%.

8. EARNINGS PER SHARE

(a) Basic earnings per share

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 2020 and 2019.

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>4,858</u>	<u>5,106</u>	<u>5,107</u>	<u>8,543</u>
Weighted average number of ordinary shares in issue (thousands)	<u>648,136</u>	<u>648,136</u>	<u>648,136</u>	<u>648,136</u>
Basic earnings per share (HK cents)	<u>0.75</u>	<u>0.79</u>	<u>0.79</u>	<u>1.32</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2020, the outstanding share options were anti-dilutive.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (Continued)

For the six months ended 30 June 2019, the Company had dilutive potential ordinary shares from share options. The calculation for share options was determined by the number of shares that could have been acquired at fair value (determined as the average 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 was 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 was the number of shares issued for no consideration. The resulting number of shares issued for no consideration was included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company used to determine the diluted earnings per share (HK\$'000)	<u>4,858</u>	<u>5,106</u>	<u>5,107</u>	<u>8,543</u>
Weighted average number of ordinary shares in issue (thousands)	<u>648,136</u>	648,136	<u>648,136</u>	648,136
Adjustment for share option (thousands)	<u>—</u>	<u>10</u>	<u>—</u>	<u>19</u>
	<u>648,136</u>	<u>648,146</u>	<u>648,136</u>	<u>648,155</u>
Diluted earnings per share (HK cents)	<u>0.75</u>	<u>0.79</u>	<u>0.79</u>	<u>1.32</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)



9. DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2020 (2019: Nil).

10. CAPITAL EXPENDITURE

	Plant and equipment HK\$'000	Leasehold land and land use right HK\$'000	Intangible asset HK\$'000
Six months ended 30 June 2020			
(Unaudited)			
Opening carrying amount at 1 January 2020	140,481	—	3,185
Additions	24,445	—	—
Disposals	(4)	—	—
Depreciation/Amortisation	(9,638)	—	(393)
Exchange realignment	(2,299)	—	(55)
	<u>152,985</u>	<u>—</u>	<u>2,737</u>
Six months ended 30 June 2019			
(Unaudited)			
Opening carrying amount at 1 January 2019	97,286	12,762	4,063
Additions	15,170	—	—
Recognition upon adoption of HKFRS 16	28,459	(12,762)	—
Depreciation/Amortisation	(8,873)	—	(138)
Exchange realignment	(3,576)	—	(3)
	<u>128,466</u>	<u>—</u>	<u>3,922</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables (Note)		
– Third parties	39,141	39,471
– Related companies	1,659	1,867
Less: Loss allowance	<u>(425)</u>	<u>(431)</u>
	40,375	40,907
Bills receivables	39,455	18,132
Prepayments	14,076	15,454
Value-added tax recoverable	4,269	2,701
Deposits and other receivables	<u>8,014</u>	<u>6,692</u>
	106,189	83,886
Less: Non-current portion	<u>(7,994)</u>	<u>(12,908)</u>
Current portion	<u><u>98,195</u></u>	<u><u>70,978</u></u>

Note:

Majority of credit period granted by the Group to its customers is 30 to 90 days. Ageing analysis of the Group's trade receivables based on the invoiced date was as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0 - 90 days	26,497	37,863
91 - 180 days	9,746	2,221
181 - 365 days	3,439	573
Over 365 days	<u>693</u>	<u>250</u>
	<u><u>40,375</u></u>	<u><u>40,907</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)



12. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade payables (Note)		
– Third parties	26,085	13,497
– Related companies	3,047	2,862
	<u>29,132</u>	<u>16,359</u>
Contract liabilities	9,324	1,708
Accrued salaries and bonus	7,395	13,232
Other payables for purchase of plant and equipment	8,868	11,215
Other creditors and accruals	15,094	5,036
Retention payables for disposal of old facilities or scraps	1,096	1,115
	<u>70,909</u>	<u>48,665</u>

Note:

Ageing analysis of the Group's trade payables based on the invoiced date was as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 30 days	27,432	13,502
31 - 90 days	1,385	1,899
91 - 180 days	268	788
Over 180 days	47	170
	<u>29,132</u>	<u>16,359</u>



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13. SHARE CAPITAL

The number of the Company's shares authorised and issued as of 30 June 2020 and 31 December 2019 is as follows:

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	<u>2,000,000,000,000</u>	<u>20,000,000</u>
Ordinary shares, issued and fully paid:		
At 1 January 2019, 30 June 2019,		
31 December 2019 and 30 June 2020	<u>648,135,553.38</u>	<u>6,481</u>

14. 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	
	2020	2019
	Options	Options
	(units)	(units)
At 1 January	1,229,301	900,077
Forfeited	<u>(231,805)</u>	<u>(196,871)</u>
At 30 June	<u>997,496</u>	<u>703,206</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. SHARE OPTIONS (CONTINUED)

Details of the share options outstanding at 30 June 2020 and 31 December 2019 are as follows:

Expiry date	At 30 June 2020 (Unaudited)		At 31 December 2019 (Audited)	
	Adjusted average exercise price in HK\$ per share	Options (units)	Adjusted average exercise price in HK\$ per share	Options (units)
31 March 2021	1.52	170,096	1.52	219,401
31 March 2022	1.95	315,400	1.95	442,900
31 March 2023	1.17	512,000	1.17	567,000
		<u>997,496</u>		<u>1,229,301</u>

15. FAIR VALUE MEASUREMENT

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

The following table presents financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable of the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. FAIR VALUE MEASUREMENT (CONTINUED)

The financial assets measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2020 (Unaudited)				
Financial asset at fair value through other comprehensive income	—	—	13,208	13,208
As at 31 December 2019 (Audited)				
Financial asset at fair value through other comprehensive income	—	—	13,448	13,448

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	HK\$'000
As at 1 January 2020 (Audited)	
Exchange realignment	13,448 (240)
As at 30 June 2020 (Unaudited)	
	13,208

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)

16. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2020 and 2019, save as disclosed elsewhere in this report, the Group carried out the following significant transactions with its related parties:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Purchase of automobile glass from subsidiaries of Xinyi Glass Holdings Limited (" Xinyi Glass ")	2,406	2,393
Share option expenses recharged by Xinyi Glass	—	14
Sales of forklift battery chargers to subsidiaries of Xinyi Glass	154	735
Sales of and provision of contract processing services for battery pack and energy storage system to subsidiaries of Xinyi Glass	658	15,638
Sales of forklift battery chargers to subsidiaries of Xinyi Solar Holdings Limited (" Xinyi Solar ")	409	528
Sales of and provision of contract processing services for battery pack and energy storage system to subsidiaries of Xinyi Solar	451	304
Management fee received from a subsidiary of Xinyi Glass	726	783
Operating lease payments in respect of office premises paid to subsidiaries of Xinyi Glass	150	134
Operating lease payments in respect of shop premises paid to Mr. LEE Shing Kan and Mr. TUNG Fong Ngai	270	228
Operating lease payments in respect of office premises received from an entity controlled by a controlling party	39	—
Electricity expenses paid to subsidiaries of Xinyi Solar	677	610

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

Key management compensation amounted to HK\$2,721,000 for the six months ended 30 June 2020 (2019: HK\$3,151,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17. CAPITAL COMMITMENT

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Commitment for construction of production plant and purchase of plant and equipment	<u>125,269</u>	<u>139,731</u>



BUSINESS REVIEW AND PROSPECTS

Battery Packs, Energy Storage Systems and Lithium Battery Products Businesses - Actively Enhances Existing Products and Develops New Products to Strengthen Market Competitiveness

Since the Group's lithium battery production lines started production in 2017, the Group has strived to develop the businesses of battery packs, energy storage systems and lithium products. These products have been launched to meet the fast-growing demand for new energy products in the markets. Presently, these products have become the Group's core operations. The Group has consistently focused on R&D as it is believed to be the key to achieve long-term development of its businesses. Investment has also been made in battery development, enabling it to strengthen the R&D and production of lithium battery products and other associated products based on customers' demand, thereby strive to offer a wider variety of power products, technical services and comprehensive system solutions. With its increasingly sophisticated capability in R&D, the Group has launched a number of new products to meet market demand in the period, thus strengthening its market competitiveness of which the battery management systems have started mass production and put into use. Meanwhile the storage battery systems, modular uninterruptible power supplies and battery packs for special equipment are now more widely deployed, compared with 2019.

The Group's battery packs, energy storage systems and lithium battery products businesses in China were affected by the outbreak of pandemic. Production resumption of the Group's lithium battery product line was postponed after Chinese New Year and hence led to the delay in product delivery to customers. However, as the pandemic in China has gradually come under control, the business has returned to normal operation since March 2020.

The investment costs of lithium battery applications will decrease alongside the continuous drop in product prices of lithium batteries. As lithium batteries show bright prospects with their wide application in the market, the Group will further diversify its customer base and raise profitability by strengthening its R&D technology, optimizing product functions, launching innovative products and implementing active marketing strategies to explore and seize opportunities. For the forklift trading business, the Group will speed up its effort in expanding sales channels so as to broaden its customer base. To comply with China's environmental protection policies and related requirements, the Group will embark on the promotion of lithium battery-powered forklift applications in seriously polluted regions with high energy consumption in China. The Group has also entered into sales contracts with customers successively, longing the subsequent market will make a greater contribution to the Group's forklift trading business.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Automobile Glass Repair and Replacement Business - Continues to Generate Stable Cash Flow to the Group to Support its Core Business Development

The overall operating environment in Hong Kong continued to be difficult during the period. The pandemic, weak local consumption sentiment and contraction in investment costs presented challenges to the Group's automobile glass repair and replacement business. During the period, revenue from the business recorded a year-on-year decrease, mainly due to the drop in revenue from customers not covered by insurance, such as coach companies, garages or individual clients. Despite the revenue and gross profit of automobile glass repair and replacement services decrease in the short term, the Group is confident that the business will gradually return to normal and continuously provide stable cashflow to support the development of its core businesses, given its deep roots in Hong Kong over many years, extensive customer base and well-recognised quality of service.

Outlook

Looking ahead, the Group will continue to improve the comprehensive performance of products, develop more core products, lower production costs and enhance capabilities both in market development and customer service in a bid to boost its competitiveness. Meanwhile, the Group is actively preparing for the construction of a new factory in Zhangjiagang, China, which is expected to commence production in 2021. Upon the commencement, the production capacity and production equipment of the new factory will significantly be enhanced in order to prepare to support the brilliant prospects of the lithium battery and energy storage industry. Apart from continuously expanding existing businesses, broadening its customer base and increasing production capacity, the Group will actively develop its business in the new energy field, including the engineering, procurement and construction of solar power stations in China and overseas as it expects that the new business will boost its profit growth and its market position among new energy enterprises.

In the first half of 2020, the pandemic loomed large over the lithium battery and energy storage industry as well as the whole world, presenting serious challenges and uncertainty to the macroeconomy. In spite of the difficulties facing at this moment, the Group will overcome them with our capabilities in R&D and innovation, increasing production capacity and efficiency and stable customer base. We are still optimistic about the outlook of the lithium battery and energy storage industries as conditions here are favourable to the future business development of Xinyi Hong Kong, which will bring satisfactory returns to our shareholders in the long term.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group's revenue was HK\$80.9 million (2019: HK\$86.7 million), representing a decrease by 6.7% mainly attributable to the change in revenue contributed by business segments as analysed as follows:

	Six months ended 30 June					
	2020		2019		Increase/(Decrease)	
	HK\$'million	%	HK\$'million	%	HK\$'million	%
Battery pack and energy storage system	24.5	30.3	33.6	38.7	(9.1)	(27.0)
Production and sales of lithium battery products	19.9	24.6	15.4	17.8	4.5	29.1
Automobile glass repair and replacement services	22.0	27.2	24.9	28.7	(2.9)	(11.5)
Others (Trading of forklift and wind farm related business)	14.5	17.9	12.8	14.8	1.7	12.9
Total revenue	80.9	100	86.7	100	(5.8)	(6.7)

The decrease in revenue was primarily because of the following reasons:

- the decrease in revenue attributable to automobile glass repair and replacement services by 11.5% from HK\$24.9 million for the six months ended 30 June 2019 to HK\$22.0 million for the six months ended 30 June 2020 mainly due to the decrease in demand of the services as a result of the outbreak of the pandemic;
- the decrease in revenue attributable to battery pack and energy storage system by 27.0% from HK\$33.6 million for the six months ended 30 June 2019 to HK\$24.5 million for the six months ended 30 June 2020 mainly due to the decrease in demand of the energy storage systems during the period;
- the depreciation of Renminbi during the six months ended 30 June 2020; and
- partially offset by the increase in revenue attributable to production and sales of lithium battery products by 29.1% and the increase in revenue attributable to "Others" business segment by 12.9% mainly due to the increase in demand of the lithium battery products and forklifts.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Cost of revenue and gross profit

Cost of revenue comprised of HK\$16.8 million (2019: HK\$21.9 million) arising from the battery pack and energy storage system business, HK\$19.3 million (2019: HK\$16.0 million) arising from lithium battery products business, HK\$17.2 million (2019: HK\$18.0 million) arising from the automobile glass repair and replacement services business, and HK\$11.2 million (2019: HK\$9.2 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\$16.8 million (2019: HK\$21.9 million) and cost of revenue of lithium battery products business of HK\$19.3 million (2019: HK\$16.0 million) mainly represent the material cost, labour cost and depreciation charge of the plant and machinery. The gross profit of battery pack and energy storage system business decreased by 33.4% from HK\$11.6 million for the six months ended 30 June 2019 to HK\$7.8 million for the six months ended 30 June 2020. The gross profit of lithium battery products business for the six months ended 30 June 2020 amounted to HK\$0.5 million, which increased by HK\$1.1 million as compared to the gross loss of HK\$0.6 million for the six months ended 30 June 2019. The decrease in gross profit of battery pack and energy storage system business and the increase in gross profit of lithium battery products business were due to the change in product mix as a result of the decrease in demand of the energy storage systems and the increase in demand of lithium battery products during the period.

Cost of revenue arising from automobile glass repair and replacement services decreased by 4.6% from HK\$18.0 million for the six months ended 30 June 2019 to HK\$17.2 million for current period. The gross profit decreased by 29.6% from HK\$6.9 million for the six months ended 30 June 2019 to HK\$4.9 million mainly due to the rental and the other overhead expenses (including labour costs) were generally stable, while revenue decreased.

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

The overall gross profit margin decreased from 24.9% for the six months ended 30 June 2019 to 20.3% for the six months ended 30 June 2020 mainly due to (i) the change in product mix as a result of the decrease in demand of the energy storage systems which have relatively higher gross profit margin than other products, partially offset by the increase in demand of the other products and (ii) the decrease in revenue of the automobile glass repair and replacement services while the cost of revenue of this business was stable.



Other income and other gains/(losses), net

Other income and other gains/(losses), net mainly included the government grants from the PRC government in relation to the tax subsidy and Hong Kong government in relation to various subsidies granted to our automobile glass repair and replacement business, rental concession for our factory granted by the PRC government due to the outbreak of the pandemic, gain on disposal of scrapped materials and exchange losses.

Expenses

Selling and marketing costs decreased by HK\$0.2 million from HK\$2.3 million for the six months ended 30 June 2019 to HK\$2.1 million for the six months ended 30 June 2020 mainly due to the decrease in expenses incurred for advertisement.

Administrative expenses increased by HK\$1.0 million from HK\$13.1 million for the six months ended 30 June 2019 to HK\$14.1 million for the six months ended 30 June 2020 mainly due to the increase in research and development cost incurred for the development and improvement of the products.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2020 amounted to HK\$5.1 million (2019: HK\$8.5 million). The decrease in the profitability was mainly attributable to the operating performance of the Group as analysed above.

Financial resources and liquidity

For the six months ended 30 June 2020, 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 2020, the Group had net current assets of HK\$221.2 million (31 December 2019: HK\$231.3 million), cash and cash equivalents of HK\$168.6 million (31 December 2019: HK\$220.9 million) which were placed with major banks in Hong Kong and the PRC, and no bank borrowings (31 December 2019: HK\$30.0 million). As at 30 June 2020, the Group has unutilised banking facilities of HK\$110 million (31 December 2019: HK\$80 million).

The Group's gearing ratio calculated based on net debt (calculated as total borrowings less cash and cash equivalents) divided by the shareholders' equity of the Group was not applicable as the Group had no net debt as at 30 June 2020 and 31 December 2019.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 has been 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\$17.3 million for the six months ended 30 June 2020 (2019: HK\$14.9 million) which was mainly related to the set-up and construction of lithium battery production facilities in the PRC.

Capital commitments contracted for but not incurred by the Group as at 30 June 2020 amounted to HK\$125.3 million (31 December 2019: HK\$139.7 million) which were mainly related to the purchase of various production plants and machinery for the lithium battery plant in the PRC from independent third parties under different independent contracts.

Pledge of assets

No assets of the Group were pledged as security for bank borrowings as at 30 June 2020 and 31 December 2019.

Employees and remuneration policies

As at 30 June 2020, the Group had 272 (31 December 2019: 266) full-time employees of whom 209 (31 December 2019: 206) were based in the PRC and 63 (31 December 2019: 60) 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 2020.

Dividend

The Directors do not recommend the payment of dividend for the six months ended 30 June 2020 (2019: Nil).

Treasury policies and exposure to fluctuation in exchange rates

The Group mainly operates in Hong Kong and the PRC 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 non-cash translation loss - a decrease in the reserve of its condensed consolidated financial position of HK\$7.2 million (2019: HK\$0.6 million) - when converting RMB-denominated assets and liabilities into HK\$ at 30 June 2020.

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 HK\$48,000 (2019: 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 2020, 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 2020.

	Proposed applications of the net proceeds HK\$ million	Amount utilised up to 30 June 2020 HK\$ million	Unutilised balance as at 30 June 2020 HK\$ million
Set-up new production lines for lithium batteries business	135.4	61.6	73.8
Repay the outstanding capital expenditure of the existing lithium battery production facilities	24.7	24.7	—
General working capital	38.8	38.8	—
Total	<u>198.9</u>	<u>125.1</u>	<u>73.8</u>

The amounts proposed for the repayment of the outstanding capital expenditure of existing lithium battery production facilities of HK\$24.7 million and for general working capital purpose of HK\$38.8 million were fully utilised as intended. As at 30 June 2020, the remaining balance of HK\$73.8 million proposed to be used for the set-up of new production lines for the lithium batteries business had yet to be utilised as the construction works of the factory building and the set-up of the production lines (including site preparation and formation, building design, layout design of the production lines, and selection and tendering of related equipment) have required longer period of time for completion and the delay of construction work as a result of the pandemic.

The remaining amount of net proceeds from the rights issue is expected to be fully utilised by 31 December 2021.



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

As at 30 June 2020, 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 2020. 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 2020, the Group did not have any significant contingent liability (31 December 2019: Nil).

Event after the reporting period

No significant events have taken place subsequent to 30 June 2020 and up to the date of this report.

CHANGES IN DIRECTORS' INFORMATION

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

Mr. CHAN Chi Leung resigned as an executive Director of the Company with effect from 16 May 2020.

Mr. NG Ngan Ho, our Chief Executive Officer, was appointed as an executive Director of the Company with effect from 16 May 2020.

Mr. WANG Guisheng, an independent non-executive Director of the Company, is an executive director, chief financial officer and joint company secretary of Smoore International Holdings Limited (stock code: 06969) which was listed on Main Board of the Stock Exchange on 10 July 2020.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2020, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) 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 in which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long Position in the Shares

Director/ Chief executive	Capacity	Name of the controlled corporations	Number of issued Shares held	Percentage of the issued share capital of the Company (%)
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M</i>	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⁾		453,165,649	69.92
Mr. NG Ngan Ho	Interest in a controlled corporation	Linkall ⁽⁴⁾ (as defined below)	15,958,086	2.46
		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⁾		453,165,649	69.92

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (1) Tan Sri Datuk TUNG Ching Sai is the beneficial owner of all the issued share capital of Copark Investment Limited ("**Copark**"), a company incorporated in the British Virgin Islands (the "**BVI**") and wholly-owned by Tan Sri Datuk TUNG Ching Sai, which is the registered owner of 37,039,885 Shares. Tan Sri Datuk TUNG Ching Sai also has personal interest in 436,200 Shares held in his own name and 96,540,900 Shares held through his spouse, Puan Sri Datin SZE Tan 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).
- (3) The interests in 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 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, which is the registered owner of 15,958,086 Shares.

(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	129,088	0.02

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Save as disclosed above, as at 30 June 2020, 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 2020.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

So far as is known to the Directors, as at 30 June 2020, 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 the Shareholders	Nature of interest and capacity	Number of issued Shares held	Percentage of
			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⁾	453,165,649	69.92

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Name of the Shareholders	Nature of interest and capacity	Number of issued Shares held	Percentage of
			the issued share capital of the Company (%)
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⁾	453,165,649	69.92
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⁾	453,165,649	69.92
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⁾	453,165,649	69.92
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⁾	453,165,649	69.92
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⁾	453,165,649	69.92
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⁾	453,165,649	69.92

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (1) The interests in the 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 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 entered amongst the 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.

Save as disclosed above, as at 30 June 2020, 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 2020, 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 2020, 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 2020, 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.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The unaudited condensed consolidated financial information of the Company for the six months ended 30 June 2020 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, 3 August 2020

As of the date of this report, the executive Directors are Mr. NG Ngan Ho and Ms. LI Pik Yung, 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.