

XINYI ELECTRIC STORAGE HOLDINGS LIMITED

信義儲電控股有限公司

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

2021

INTERIM REPORT



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*This report, for which the board (the “**Board**”) of the directors (the “**Directors**”) of Xinyi Electric Storage Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on GEM of the Stock Exchange (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[^]
Ms. LI Pik Yung

Non-executive Directors

Tan Sri Datuk TUNG Ching Sai
P.S.M, D.M.S.M, J.P. (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., J.P.^{# +}

- * 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. CHEUNG Siu On Victor, CPA

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2116-2117, 21st Floor
Rykadan Capital Tower
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
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
China Construction Bank

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350, 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\$6.50
Market capitalisation as of the date of
this interim report:
Approximately HK\$4,215 million

The Board is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2021 together with the comparative unaudited figures for the six months ended 30 June 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Three months ended 30 June		Six months ended 30 June	
Notes		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	72,575	51,346	115,828	80,909
Cost of revenue		(53,912)	(40,064)	(90,193)	(64,502)
Gross profit		18,663	11,282	25,635	16,407
Other income	4	—	1,038	11,470	1,561
Other (losses)/gains, net	4	1,250	1,269	(2,471)	1,239
Impairment loss on a financial asset		—	—	(3,135)	—
Selling and marketing costs		(2,309)	(1,189)	(3,545)	(2,050)
Administrative expenses		(10,436)	(8,683)	(20,096)	(14,110)
Operating profit		7,168	3,717	7,858	3,047
Finance income	5	367	1,392	565	2,335
Finance costs	5	—	—	—	—
Profit before income tax	6	7,535	5,109	8,423	5,382
Income tax expense	7	(2,011)	(251)	(2,631)	(275)
Profit for the period		5,524	4,858	5,792	5,107
Other comprehensive income:					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange differences on translation of financial statements of operations		6,535	1,428	3,608	(7,199)
Total comprehensive income for the period		12,059	6,286	9,400	(2,092)

Notes	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit for the period attributable to:				
– owners of the Company	5,187	4,858	5,388	5,107
– non-controlling interests	337	—	404	—
	<u>5,524</u>	<u>4,858</u>	<u>5,792</u>	<u>5,107</u>
Total comprehensive income for the period attributable to:				
– owners of the Company	11,711	6,286	8,982	(2,092)
– non-controlling interests	348	—	418	—
	<u>12,059</u>	<u>6,286</u>	<u>9,400</u>	<u>(2,092)</u>
Earnings per share attributable to owners of the Company for the period (HK cents)				
– Basic	8(a) 0.80	0.75	0.83	0.79
– Diluted	8(b) 0.79	0.75	0.82	0.79

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	10	309,108	203,147
Intangible asset	10	2,143	2,551
Financial asset at fair value through other comprehensive income		15,839	15,712
Trade receivables	11	10,718	11,763
Finance lease receivables		6,563	—
Prepayments for plant and equipment	11	11,069	18,613
		355,440	251,786
Current assets			
Inventories		46,344	34,917
Contract assets, trade and other receivables and prepayments	11	141,354	115,322
Finance lease receivables		437	—
Income tax recoverable		691	604
Cash and cash equivalents		97,208	152,930
		286,034	303,773
Current liabilities			
Contract liabilities, trade and other payables	12	130,224	87,799
Provision for tax		9,212	7,318
Lease liabilities		3,297	6,115
Bank borrowings	13	44,784	8,000
		187,517	109,232
Net current assets		98,517	194,541
Total assets less current liabilities		453,957	446,327

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		528	3,775
Deferred tax liabilities		14	73
		542	3,848
Net assets			
		453,415	442,479
EQUITY			
Share capital	14	6,484	6,482
Reserves		446,342	435,826
		452,826	442,308
Non-controlling interests		589	171
Total equity		453,415	442,479

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Share-based payments reserve HK\$'000	Exchange reserve HK\$'000	Financial asset at fair value through other comprehensive income reserve HK\$'000	Statutory reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2021 (Audited)	6,482	234,150	13,587	505	14,305	10,710	10,652	151,917	442,308	171	442,479
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	5,388	5,388	404	5,792
Other comprehensive income											
Exchange differences on translation of financial statements of operations	–	–	–	–	3,594	–	–	–	3,594	14	3,608
Total comprehensive income	–	–	–	–	3,594	–	–	5,388	8,982	418	9,400
Transactions with owners											
Employees share option scheme:											
– proceed from issue of shares	2	412	–	(100)	–	–	–	–	314	–	314
– share-based payment expense	–	–	–	1,222	–	–	–	–	1,222	–	1,222
– adjustment relating to forfeiture of share options	–	–	–	(6)	–	–	–	6	–	–	–
Balance at 30 June 2021 (Unaudited)	6,484	234,562	13,587	1,621	17,899	10,710	10,652	157,311	452,826	589	453,415
Balance at 1 January 2020 (Audited)	6,481	233,987	13,587	3,194	(10,789)	9,636	8,590	131,113	395,799	–	395,799
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	5,107	5,107	–	5,107
Other comprehensive income											
Exchange differences on translation of financial statements of operations	–	–	–	–	(7,199)	–	–	–	(7,199)	–	(7,199)
Total comprehensive income	–	–	–	–	(7,199)	–	–	5,107	(2,092)	–	(2,092)
Transactions with owners											
Employees share option scheme:											
– share-based payment expense	–	–	–	43	–	–	–	–	43	–	43
Balance at 30 June 2020 (Unaudited)	6,481	233,987	13,587	3,237	(17,988)	9,636	8,590	136,220	393,750	–	393,750

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(16,945)	1,684
Interest paid	(307)	(284)
Income tax paid	(1,348)	(3,980)
Net cash used in operating activities	(18,600)	(2,580)
Cash flows from investing activities		
Purchase of plant and equipment	(74,925)	(17,292)
Other investing cash flow – net	1,072	2,335
Net cash used in investing activities	(73,853)	(14,957)
Cash flows from financing activities		
Proceeds from issue of shares by share options	314	—
Proceeds from bank borrowings	36,784	—
Repayments of bank borrowings	—	(30,000)
Repayment of capital element of lease liabilities	(1,697)	(2,056)
Net cash generated from/(used in) financing activities	35,401	(32,056)
Net decrease in cash and cash equivalents	(57,052)	(49,593)
Cash and cash equivalents at beginning of the period	152,930	220,882
Effect of foreign exchange rate changes, on cash held	1,330	(2,705)
Cash and cash equivalents at end of the period	97,208	168,584

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Group is principally engaged in the business of the automobile glass repair and replacement business in Hong Kong and the production and sales of electric storage products as well as provision of related contract processing services in the People's Republic of China (the "PRC"). In addition, the Group is also engaged in the provision of engineering, procurement and construction services (the "EPC Services") for solar energy projects.

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 30 July 2021.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 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 2020, 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 2020, as described in 2020 annual financial statements.

(a) Adoption of new or revised HKFRSs – effective 1 January 2021

In the current period, the Group has applied for the first time the following new or revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2
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The adoption of the above new standards, amendments to standards and interpretation that are effective from 1 January 2021 does not have any significant impact to the results and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) *New or revised HKFRSs that have been issued but are not yet effective*

The following new or revised HKFRSs, potentially relevant to the Group's consolidated 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 HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ¹
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³

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

² Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

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.

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) electric storage business; (2) EPC Services; (3) automobile glass repair and replacement services; and (4) other segments (trading of forklift and wind farm related business).

The executive Directors assess the performance of the operating segments based on a measure of gross profit. Set out below is a summary list of performance indicators reviewed by the executive Directors on a regular basis:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment results

	Six months ended 30 June 2021 (Unaudited)				
	Electric storage business HK\$'000	EPC Services HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	<u>43,911</u>	<u>29,398</u>	<u>19,971</u>	<u>22,548</u>	<u>115,828</u>
Timing of revenue recognition					
– At a point in time	43,911	29,398	19,971	17,746	111,026
– Over time	–	–	–	4,802	4,802
Cost of revenue	<u>43,911</u> <u>(36,734)</u>	<u>29,398</u> <u>(22,005)</u>	<u>19,971</u> <u>(16,107)</u>	<u>22,548</u> <u>(15,347)</u>	<u>115,828</u> <u>(90,193)</u>
Gross profit	<u>7,177</u>	<u>7,393</u>	<u>3,864</u>	<u>7,201</u>	<u>25,635</u>
Depreciation charge of plant and equipment	3,187	–	2,457	14	5,658
Amortisation of intangible asset	427	–	–	–	427
Additions to non-current assets during the period (other than financial instruments and deferred tax assets)	<u>109,965</u>	<u>205</u>	<u>771</u>	<u>419</u>	<u>111,360</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment results (Continued)

	Six months ended 30 June 2020 (Unaudited)				
	Electric storage business HK\$'000	EPC Services HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	44,373	—	22,036	14,500	80,909
Timing of revenue recognition					
– At a point in time	44,373	—	22,036	13,774	80,183
– Over time	—	—	—	726	726
Cost of revenue	44,373 (36,110)	—	22,036 (17,165)	14,500 (11,227)	80,909 (64,502)
Gross profit	8,263	—	4,871	3,273	16,407
Depreciation charge of plant and equipment	6,479	—	3,147	12	9,638
Amortisation charge of intangible asset	393	—	—	—	393
Additions to non-current assets during the period (other than financial instruments and deferred tax assets)	16,471	—	2,412	648	19,531

“Battery pack and energy storage system” segment and “Production and sales of lithium battery” segment has been combined to “Electric storage business” segment. Certain comparative figures of segment information were therefore represented to conform with changes in presentation in current period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment results (Continued)

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Segment gross profit	25,635	16,407
Unallocated items:		
Other income	11,470	1,561
Other (losses)/gains, net	(2,471)	1,239
Impairment loss on a financial asset	(3,135)	—
Selling and marketing costs	(3,545)	(2,050)
Administrative expenses	(20,096)	(14,110)
Finance income	565	2,335
Finance costs	—	—
Profit before income tax	<u>8,423</u>	<u>5,382</u>

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

	Electric storage business HK\$'000
Six months ended 30 June 2021 (Unaudited)	
– Customer A	<u>25,484</u>
Six months ended 30 June 2020 (Unaudited)	
– Customer A	<u>27,925</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Disaggregation of revenue from contract with customers

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
The PRC	63,626	58,649
Hong Kong	19,971	22,036
Canada	32,075	—
Others	156	224
	115,828	80,909

(c) Segment assets and liabilities

	Electric storage business HK\$'000	EPC Services HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
At 30 June 2021 (Unaudited)					
Total assets	<u>478,197</u>	<u>92,906</u>	<u>34,364</u>	<u>35,234</u>	<u>640,701</u>
Total liabilities	<u>(108,255)</u>	<u>(11,458)</u>	<u>(9,062)</u>	<u>(13,659)</u>	<u>(142,434)</u>
At 31 December 2020 (Audited)					
Total assets	<u>429,161</u>	<u>46,011</u>	<u>39,885</u>	<u>37,499</u>	<u>552,556</u>
Total liabilities	<u>(61,683)</u>	<u>(14,038)</u>	<u>(12,740)</u>	<u>(15,572)</u>	<u>(104,033)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Segment assets and liabilities (Continued)

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

	Assets as at		Liabilities as at	
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Reportable segment assets/(liabilities)	640,701	552,556	(142,434)	(104,033)
Unallocated items:				
Prepayments, deposits and other receivables	151	255	—	—
Cash and cash equivalents	622	2,748	—	—
Bank borrowings	—	—	(44,784)	(8,000)
Other creditors and accruals	—	—	(841)	(1,047)
Total assets/(liabilities)	<u>641,474</u>	<u>555,559</u>	<u>(188,059)</u>	<u>(113,080)</u>

An analysis of the Group's non-current assets other than financial instruments and deferred tax assets by geographical area in which the assets are located is as follows:

	As at	
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
The PRC	307,629	208,140
Hong Kong	14,484	16,171
Canada	207	—
	<u>322,320</u>	<u>224,311</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

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

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other income				
Government grants	—	981	1,264	1,445
Others	—	57	10,206	116
	<u>—</u>	<u>1,038</u>	<u>11,470</u>	<u>1,561</u>
Other (losses)/gains, net				
Rent concessions	—	1,160	—	1,160
Net gains/(losses) on disposal of old facilities, scrapped materials or plant and equipment	834	126	(3,192)	127
Exchange gains/(losses), net	416	(17)	721	(48)
	<u>1,250</u>	<u>1,269</u>	<u>(2,471)</u>	<u>1,239</u>

5. FINANCE INCOME AND FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Finance income				
Interest income from bank deposits	<u>367</u>	<u>1,392</u>	<u>565</u>	<u>2,335</u>
Finance costs				
Interest on bank borrowings	170	—	223	70
Interest on leases liabilities	41	163	84	292
Less: amounts capitalised	(211)	(163)	(307)	(362)
	<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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cost of inventories	53,317	37,688
Write-off and provision for impairment of inventories	213	68
Depreciation charge	5,658	9,638
Amortisation charge	427	393
Employee benefit expenses (including directors' emoluments)	24,820	21,768
Expense relating to short-term leases	1,235	207
Rent concessions	—	1,160
Research and development expenses	4,296	5,936

7. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current income tax				
– Hong Kong profits tax	—	74	—	74
– PRC Corporate Income Tax ("CIT")	1,003	315	1,512	479
– Overseas income tax	1,040	—	1,183	—
	2,043	389	2,695	553
Deferred tax	(32)	(138)	(64)	(278)
	2,011	251	2,631	275

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7. INCOME TAX EXPENSE (CONTINUED)

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

Taxation on overseas profits includes Canada income tax which has been calculated on the estimated assessable profits for the period at the federal and provincial corporate income tax rate of 26.5%.

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 2021 and 2020.

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>5,187</u>	<u>4,858</u>	<u>5,388</u>	<u>5,107</u>
Weighted average number of ordinary shares in issue (thousands)	<u>648,349</u>	<u>648,136</u>	<u>648,298</u>	<u>648,136</u>
Basic earnings per share (HK cents)	<u>0.80</u>	<u>0.75</u>	<u>0.83</u>	<u>0.79</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. EARNINGS PER SHARE (CONTINUED)

(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 2021, 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.

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)

	Three months ended 30 June		Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the Company used to determine the diluted earnings per share (HK\$'000)	5,187	4,858	5,388	5,107
Weighted average number of ordinary shares in issue (thousands)	648,349	648,136	648,298	648,136
Adjustment for share options (thousands)	5,679	—	5,617	—
	654,028	648,136	653,915	648,136
Diluted earnings per share (HK cents)	0.79	0.75	0.82	0.79

9. DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2021 (2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

10. CAPITAL EXPENDITURE

	Plant and equipment HK\$'000	Intangible asset HK\$'000
Six months ended 30 June 2021 (Unaudited)		
Opening carrying amount at 1 January 2021	203,147	2,551
Additions	118,904	—
Disposals	(9,099)	—
Depreciation/Amortisation	(5,658)	(427)
Exchange realignment	1,814	19
Closing carrying amount at 30 June 2021	<u>309,108</u>	<u>2,143</u>
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)
Closing carrying amount at 30 June 2020	<u>152,985</u>	<u>2,737</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables (Note)		
– Third parties	53,948	78,440
– Related companies	10,434	2,868
Less: Loss allowance	(913)	(906)
	63,469	80,402
Contract assets	17,596	2,552
Bills receivables	18,371	22,298
Prepayments	38,106	25,034
Value-added tax recoverable	21,239	8,193
Deposits and other receivables	4,360	7,219
	163,141	145,698
Less: Non-current portion		
Trade receivables	(10,718)	(11,763)
Prepayments for plant and equipment	(11,069)	(18,613)
Current portion	141,354	115,322

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Note:

Majority of credit period granted by the Group to its customers is 30 to 90 days, except certain customers arising from EPC Services who have been granted with credit period of 24 months and repayable on monthly basis. Ageing analysis of the Group's trade receivables based on the invoice date was as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 - 90 days	54,824	63,201
91 - 180 days	4,409	3,235
181 - 365 days	3,513	4,256
Over 365 days	723	9,710
	<u>63,469</u>	<u>80,402</u>

12. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables (Note)		
– Third parties	39,961	35,858
– Related companies	1,785	664
Contract liabilities	41,746	36,522
Accrued salaries and bonus	7,656	6,097
Other payables for purchase of plant and equipment	51,294	15,210
Other creditors and accruals	14,257	5,593
Retention payables for disposal of old facilities or scraps	—	1,191
Deferred revenue in respect of a government grant	9,608	9,532
	<u>130,224</u>	<u>87,799</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES (CONTINUED)

Note:

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 30 days	35,170	31,577
31 - 90 days	2,596	2,940
91 - 180 days	1,644	1,817
Over 180 days	2,336	188
	<u>41,746</u>	<u>36,522</u>

13. BANK BORROWINGS

Bank borrowings represent the revolving loan drawn by the Group which are due for repayment within one year. The carrying amounts of the Group's bank borrowings approximate their fair values and are denominated in HK\$ and Canadian Dollar. As at 30 June 2021, the effective interest rate of the bank borrowings was 1.9% p.a. (31 December 2020: 1.9% p.a.). As at 30 June 2021, the Group has undrawn borrowing facilities of HK\$273,927,000 (31 December 2020: HK\$102,000,000), which are facilities subject to periodic review.

The Company has given corporate guarantee to the financial institution in connection with the bank borrowings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. SHARE CAPITAL

The number of the Company's shares authorised and issued as of 30 June 2021 and 31 December 2020 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 31 December 2020 and 1 January 2021	648,218,651.38	6,482
Issue of ordinary shares upon exercise of share options	177,793	2
At 30 June 2021	<u>648,396,444.38</u>	<u>6,484</u>

15. SHARE OPTIONS

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

	For the six months ended 30 June			
	2021		2020	
	Average exercise price in HK\$ per share	Options (units)	Average exercise price in HK\$ per share	Options (units)
At 1 January	1.97	11,766,982	1.51	1,229,301
Granted	4.80	1,590,000	—	—
Exercised	1.76	(177,793)	—	—
Lapsed	1.56	(119,221)	1.67	(231,805)
At 30 June	2.32	<u>13,059,968</u>	1.48	<u>997,496</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. SHARE OPTIONS (CONTINUED)

On 11 May 2021, 1,590,000 share options were granted to an executive Director, the chief executive officer of the Company and certain employees of the Group. The exercise price is HK\$4.80 per share, which is equal to the average closing price of the Company's share for the five business days immediately preceding the date of grant. The validity period of the options is from 11 May 2021 to 31 March 2025. One third of the options will vest on each of the year-end date of 2021, 2022 and 2023 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2024 to 31 March 2025.

Out of the 13,059,968 outstanding share options, 176,268 options were exercisable as at 30 June 2021 (31 December 2020: 86,382 options).

These outstanding share options as at 30 June 2021 have the following expiry dates and exercise prices:

Expiry date	At 30 June 2021 (Unaudited)		At 31 December 2020 (Audited)	
	Adjusted average exercise price in HK\$ per share	Options (units)	Adjusted average exercise price in HK\$ per share	Options (units)
31 March 2021	N/A	—	1.52	86,382
31 March 2022	1.95	176,268	1.95	322,600
31 March 2023	1.17	476,000	1.17	506,000
31 March 2024	1.40	517,700	1.40	552,000
31 March 2025	2.41	11,890,000	2.04	10,300,000
		13,059,968		11,766,982

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. SHARE OPTIONS (CONTINUED)

The weighted average fair values of these options granted were determined using the Black-Scholes valuation model, which were performed by an independent valuer, Greater China Appraisal Limited, and were approximately HK\$1.67 per option. The significant inputs into the model are as follows:

Grant date	11 May 2021
Closing share price, at the grant date (HK\$)	4.45
Exercise price (HK\$)	4.80
Volatility (%)	52.55%
Dividend yield (%)	0.00%
Expected share option life (years)	3.89
Annual risk-free interest rate	0.41%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

16. 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)

16. 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 2021 (Unaudited)				
Financial asset at fair value through other comprehensive income	—	—	15,839	15,839
As at 31 December 2020 (Audited)				
Financial asset at fair value through other comprehensive income	—	—	15,712	15,712

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.

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

	HK\$'000
As at 1 January 2021 (Audited)	15,712
Exchange realignment	127
As at 30 June 2021 (Unaudited)	15,839

There have been no transfers between level 1, 2 and 3 during the six months ended 30 June 2021 (2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2021 and 2020, save as disclosed elsewhere in this report, the Group carried out the following significant transactions with its related parties:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Purchase of automobile glass from subsidiaries of Xinyi Glass Holdings Limited (" Xinyi Glass ")	2,719	2,406
Purchase of other glasses from subsidiaries of Xinyi Glass	23	—
Purchase of consumables from subsidiaries of Xinyi Glass	443	—
Sales of forklift battery chargers to subsidiaries of Xinyi Glass	163	154
Sales of and provision of contract processing services for electric storage products to subsidiaries of Xinyi Glass	4,599	658
Sales of forklift battery chargers to subsidiaries of Xinyi Solar Holdings Limited (" Xinyi Solar ")	221	409
Sales of and provision of contract processing services for electric storage products to subsidiaries of Xinyi Solar	81	451
Sales of consumables to subsidiaries of Xinyi Solar	6	—
Management fee received from a subsidiary of Xinyi Glass	4,802	726
Operating lease payments in respect of office premises paid to subsidiaries of Xinyi Glass	158	150
Operating lease payments in respect of shop premises paid to Mr. LEE Shing Kan and Mr. TUNG Fong Ngai	270	270
Sales of consumables to an entity controlled by a controlling party	20	—
Operating lease payments in respect of office premises received from an entity controlled by a controlling party	21	39
Electricity expenses paid to subsidiaries of Xinyi Solar	226	677

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

Key management compensation amounted to HK\$3,066,000 for the six months ended 30 June 2021 (2020: HK\$2,721,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

18. CAPITAL COMMITMENT

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted but not provided for in respect of		
- Construction of production plant and purchase of construction materials/plant and equipment	<u>42,304</u>	<u>107,129</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Electric Storage Business – Expands production capacity and upgrades equipment to enhance competitiveness

Since the Group has started the production of lithium battery products in 2017, various types of electric storage system products and power battery products have been developed and launched. Through the integrated research and development (R&D), design, production, system integration and service function with self-produced lithium batteries as the core, the Group fully utilised the competitive advantage of vertically integrated industrial chain.

The Group's lithium battery plant relocated from Wuhu City, Anhui Province, the PRC to Zhangjiagang City, Suzhou Province, the PRC in the first half of 2021 and has gradually commenced operation. The production capacity and equipment performance of the Group's new plant in Zhangjiagang have been enhanced. In addition to retaining the original pouch battery production lines, the Group has also set up additional production lines for aluminium shell batteries, which have laid a solid and reliable foundation for the Group to provide more diversified integrated products to customers, and at the same time contribute cost-competitive advantages to the Group's battery packs and energy storage products.

The Group has always believed that R&D is the key to long-term development and therefore has given strong support to the investment in the R&D of lithium battery products. The Group continues to strengthen the R&D and production of lithium battery products and other associated products based on customers' demand, and thereby strive to offer customers a wider range of power supply products, technical services and comprehensive system solutions. During the period, the Group established a non-wholly owned subsidiary in Shenzhen, the PRC, which focuses on the R&D of charging apparatuses and power conversion systems and so on, aiming to further strengthen the R&D efforts in different areas of power supply. For the six months ended 30 June 2021, revenue and gross profit from the electric storage business amounted to HK\$43.9 million and HK\$7.2 million, respectively, accounting for approximately 37.9% and 28.0%, respectively, of the Group's total revenue and gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Engineering, Procurement and Construction Services (“EPC Services”) Business of Photovoltaic Power Stations – New business leads to profit growth and advances the market status of the Group among new energy enterprises

The Group seized the opportunities arising from the rapid development of the photovoltaic market and commenced the EPC Services business for photovoltaic power stations in China and Canada, respectively, in 2020, which expanded the business scope of the Group, contributed to the profit growth of the Group and laid an important foundation for the Group to expand into overseas markets. The Group’s EPC Services business in Canada, which is carried out through a non-wholly owned subsidiary, is also under rapid development. Such company is currently focusing on providing EPC Services to residential users in the Provinces of Nova Scotia and Prince Edward Island, Canada. The contracts signed with customers in the fourth quarter of 2020 and the first half of 2021 are under the process of installation and grid connection with satisfactory progress, which is expected to facilitate the Group’s business development in overseas markets in the future. For the six months ended 30 June 2021, revenue and gross profit from the EPC Services for photovoltaic power stations business amounted to HK\$29.4 million and HK\$7.4 million, respectively, representing approximately 25.4% and 28.8% of the Group’s total revenue and gross profit.

Automobile Glass Repair and Replacement Business – Continues to generate stable cashflow to the Group to support its core business development

During the period, the Group’s automobile glass repair and replacement services business only recorded revenue of HK\$20.0 million, which was mainly affected by factors such as the outbreak of COVID-19, weak local consumption and shrinking investment expenditure. During the period under review, the amount of revenue generated from the Group’s automobile glass repair and replacement services business in Hong Kong recorded a period-on-period decrease, mainly due to the drop in revenue from customers in various categories, such as coach companies, garages or individual customers. Despite the revenue and gross profit of the Group’s automobile glass repair and replacement services business in Hong Kong decreased in the short term, with its business taken root in Hong Kong for years, the Group believes that such business will gradually recover and be able to contribute stable cash flows to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Business – Continues to increase efforts in expanding sales channels of forklift to expand customer base

The Group's active investment in the early stage of forklift electrification has achieved fruitful results, making the Group one of the major lithium battery suppliers in the forklift industry in the PRC. Benefited by the requirements of China's energy conservation, emission reduction and low-carbon environmental protection policies, the demand for lithium battery-powered forklifts has been increasing. The Group seized the opportunity to increase the promotion of lithium battery-powered forklifts, and successfully established business relationship with more customers, boosting the revenue growth of forklift trading. In addition, the Group has been providing wind farm management services to Xinyi Wind Power (Jinzhai) Company Limited, in which the Group holds 18% equity interest, since the third quarter of 2017, which also contributed stable income to the Group. During the period under review, revenue from other business segment increased by 55.2% to HK\$22.5 million.

OUTLOOK

Major economies around the world have successively put forward long-term carbon neutral targets, and emission reduction has become a global consensus. Countries are bound to strengthen their support for the development of renewable energy, increase the proportion of renewable energy, and achieve long-term carbon emission targets. Benefiting from the energy conservation and emission reduction targets of various countries, the new energy industry is booming, and the installed capacity and power generation capacity continues to expand. Among which, new energy power generation such as photovoltaic power and wind power have the characteristics of intermission and instability, while energy storage can be used for balancing the peak valley and improving the reliability of power supply. As a result, the Group believes that there is significant room for development in terms of the commercialisation and scalability of energy storage driven by policies and demand.

The Group continues to invest in exploring the potential of and developing its new energy business. The Group has always attached great on R&D, and in the future, we will enhance the R&D of applications of new energy storage products and power batteries, increase the percentage of R&D expenditure, strive to strengthen the performance of products, reduce production costs, enhance market expansion and optimise services provided to our customers, so as to solidify the foundation that could bolster its competitive advantages in the market. The Group's new plant in Zhangjiagang, the PRC, has been gradually put into operation, and its increased production capacity and more diversified production lines will better meet customers' needs and further promote the growth of the electric storage business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

At the same time, the Group also focuses on the development of EPC Services for photovoltaic power stations and considers it as the key development business of the Group. The Group believes that with the increasing emphasis on green and low-carbon policies, the demand for rooftop solar power generation will continue to increase with promising prospects. The Group expects to seize this opportunity to strengthen the development of EPC Services business, further expand its customer base and source of revenue, and enhance its profitability.

Looking forward, with the progress of global energy transformation and green development, the Group believes that the lithium battery, energy storage and photovoltaic markets are full of potentials and opportunities. The Group will continue to actively optimise existing products, develop new products, and increase its efforts in product promotion to seize the business opportunities brought by the booming development of new energy, and thereby expanding the Group's market share and position, further improve profitability and deliver satisfactory returns to shareholders in the long run.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group's revenue was HK\$115.8 million (2020: HK\$80.9 million), representing an increase by 43.2% mainly attributable to the change in revenue contributed by business segments as analysed as follows:

	Six months ended 30 June					
	2021		2020		Increase/(Decrease)	
	HK\$ million	%	HK\$ million	%	HK\$ million	%
Electric storage business	43.9	37.9	44.4	54.9	(0.5)	(1.1)
EPC Services	29.4	25.4	—	—	29.4	N/A
Automobile glass repair and replacement services	20.0	17.3	22.0	27.2	(2.0)	(9.1)
Others (Trading of forklift and wind farm related business)	22.5	19.4	14.5	17.9	8.0	55.2
Total revenue	<u>115.8</u>	<u>100.0</u>	<u>80.9</u>	<u>100.0</u>	<u>34.9</u>	<u>43.2</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

- (a) the increase in revenue attributable to our new business, EPC Services for photovoltaic power stations, commenced from the third quarter of 2020, which contributed revenue amounting to HK\$29.4 million;
- (b) the increase in revenue attributable to “Others” business segment by HK\$8.0 million or 55.2% mainly due to the increase in sales of forklifts and the increase in service fee for managing wind farm as a result of the service fee adjustment pursuant to the wind farm management agreement entered into as of 6 November 2020; and
- (c) partially offset by the decrease in revenue attributable to the automobile glass repair and replacement services by HK\$2.0 million or 9.1%, which was mainly due to the continuous adverse impact on the demand for the services as a result of the outbreak of COVID-19.

Cost of revenue and gross profit

Cost of revenue comprised of HK\$36.7 million (2020: HK\$36.1 million) arising from the electric storage business, HK\$22.0 million (2020: Nil) arising from the EPC Services, HK\$16.1 million (2020: HK\$17.2 million) arising from the automobile glass repair and replacement services, and HK\$15.3 million (2020: HK\$11.2 million) arising from others (trading of forklift and wind farm related business).

Cost of revenue for the electric storage business of HK\$36.7 million (2020: HK\$36.1 million) mainly represented the material cost, labour cost and depreciation charge of the plant and machinery. The gross profit of the electric storage business decreased from HK\$8.3 million for the six months ended 30 June 2020 to HK\$7.2 million for the six months ended 30 June 2021 mainly due to the increase in purchase cost of certain raw materials for production which resulted in the decrease in gross profit margin of this segment.

Cost of revenue for the EPC Services of HK\$22.0 million (2020: Nil) mainly represented the material cost, installation cost and subcontracting cost. The gross profit of the EPC Services amounted to HK\$7.4 million for the six months ended 30 June 2021 (2020: Nil).

Cost of revenue for the automobile glass repair and replacement services decreased from HK\$17.2 million for the six months ended 30 June 2020 to HK\$16.1 million for the six months ended 30 June 2021. The gross profit of the automobile glass repair and replacement services decreased from HK\$4.9 million for the six months ended 30 June 2020 to HK\$3.9 million for the six months ended 30 June 2021 mainly because 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 increased from 20.3% for the six months ended 30 June 2020 to 22.1% for the six months ended 30 June 2021 mainly due to the relatively higher gross profit margin attributable to the new business, EPC Services, of 25.1%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other income and other (losses)/gains, net

Other income mainly represented the government grants from the PRC government and the compensation from the PRC government in relation to the early termination of lease agreements for our factory and office premises in Wuhu City, Anhui Province, the PRC.

Upon the request by the PRC government to move out of the factory and office premises in Wuhu City for the change of utilisation plan of the zone area, the Group entered into a termination agreement with the PRC government in March 2021 to early terminate the lease agreements for the factory and office premises. The Group was entitled to receive a compensation from the PRC government mutually agreed which was calculated with reference to the remaining rental payments under the lease agreements. On 31 March 2021, the Group moved out of the premises in accordance with the termination agreement.

Other losses, net mainly included the write off of certain plant and equipment of factory premises as a result of the move out as set out above; and partially offset by the foreign exchange gains and gain on disposal of scrapped materials.

Selling and marketing costs

Selling and marketing costs increased by HK\$1.4 million from HK\$2.1 million for the six months ended 30 June 2020 to HK\$3.5 million for the six months ended 30 June 2021, which was mainly due to (i) the increase in employee benefit expense as a result of the increase in number of employees; and (ii) the increase in expenses in connection with selling activities such as travelling and entertainment expenses as a result of promoting our products and services to customers.

Administrative expenses

Administrative expenses increased by HK\$6.0 million from HK\$14.1 million for the six months ended 30 June 2020 to HK\$20.1 million for the six months ended 30 June 2021, primarily due to (i) the expenses incurred for the termination of employment with certain employees in connection with the move out of factory; and (ii) the increase in employee benefit expense as a result of the increase in number of employees and the share-based compensation for share options granted in August 2020, December 2020 and May 2021.

Finance costs

No finance costs were charged to profit or loss for the six months ended 30 June 2021 (2020: Nil) as all interest expense were capitalised. During the period under review, interest expense of HK\$0.3 million (2020: HK\$0.4 million) was capitalised into the construction costs of the lithium battery production facilities. The capitalised amounts will depreciate together with the relevant assets over their estimated useful lives. The decrease in amount capitalised was mainly attributable to the lower weighted average carrying amount of lease liabilities during the period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Income tax expense

The income tax expense represented Hong Kong profits tax, PRC Corporate Income Tax and Canada income tax. Income tax expense increased by HK\$2.3 million from HK\$0.3 million for the six months ended 30 June 2020 to HK\$2.6 million for the six months ended 30 June 2021. The increase in income tax expense is mainly due to the higher corporate tax rate attributable to our EPC Services business in Canada and our wind farm related business in the PRC. One of the PRC subsidiaries, being qualified as New and High Technology Enterprise, was entitled to a preferential Corporate Income Tax rate of 15% and tax incentives for research and development tax credit.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the six months ended 30 June 2021 amounted to HK\$5.4 million (2020: HK\$5.1 million). The increase 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 2021, the Group's primary sources of funding included its own working capital, the net proceeds from the rights issue in May 2018 and bank borrowings. As at 30 June 2021, the Group had net current assets of HK\$98.5 million (31 December 2020: HK\$194.5 million) and cash and cash equivalents of HK\$97.2 million (31 December 2020: HK\$152.9 million) which were placed with major banks in Hong Kong, the PRC and Canada. As at 30 June 2021, the Group had bank borrowings of HK\$44.8 million (31 December 2020: HK\$8.0 million) and had unutilised banking facilities of HK\$273.9 million (31 December 2020: HK\$102.0 million).

The Group's gearing ratio calculated based on net debt (bank 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 2021 and 31 December 2020.

Capital structure

The shares of the Company (the "Shares") 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\$111.0 million for the six months ended 30 June 2021 (2020: HK\$17.3 million), which was mainly related to the development and construction of lithium battery production facilities in the PRC.

Capital commitments contracted for but not provided for by the Group as at 30 June 2021 amounted to HK\$42.3 million (31 December 2020: HK\$107.1 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Pledge of assets

No assets of the Group were pledged as security for bank borrowings as at 30 June 2021 and 31 December 2020.

Employees and remuneration policies

As at 30 June 2021, the Group had 325 (31 December 2020: 259) full-time employees, of whom 234 (31 December 2020: 200) were based in the PRC, 59 (31 December 2020: 59) were based in Hong Kong and 32 (31 December 2020: Nil) were based in Canada. 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 have been consistent with the prevailing market terms and have been reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administered by the responsible government authorities in the PRC for its employees 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.

Treasury policies and exposure to fluctuation in exchange rates

The Group mainly operates in Hong Kong, the PRC and Canada with most of the transactions denominated and settled in HK\$, Renminbi ("**RMB**") and Canadian Dollar ("**CAD**"). Exchange rate fluctuations between RMB and HK\$ or CAD and HK\$ could affect the Group's performance and asset value.

Amid the recent appreciation (2020: depreciation) of RMB against HK\$, the Group reported non-cash translation gain (2020: loss) - an increase (2020: decrease) in the reserve of its condensed consolidated financial position of HK\$3.6 million (2020: HK\$7.2 million) - when converting RMB-denominated assets and liabilities into HK\$ at 30 June 2021.

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 2021, 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 2021.

	Proposed applications of the net proceeds	Unutilised balance as at 31 December 2020	Amount utilised from 1 January 2021 to 30 June 2021	Unutilised balance as at 30 June 2021
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
Set-up new production lines for lithium batteries business	135.4	27.8	27.8	—
Repay the outstanding capital expenditure of the existing lithium battery production facilities	24.7	—	—	—
General working capital	38.8	—	—	—
Total	198.9	27.8	27.8	—

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

As at 30 June 2021, there were no significant investments held which exceed 5% of the total assets of the Group. Apart from the establishment of a joint venture in Shenzhen, the PRC, as disclosed in the Company's announcement dated 7 April 2021, there were no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2021. Save as those disclosed elsewhere in this report, there were no plans 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 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

Event after the reporting period

No significant events have taken place subsequent to 30 June 2021 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

As at 30 June 2021, 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 to be (a) 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 taken under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) 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 positions in the Shares

Director/ Chief Executive	Capacity	Name of the controlled corporations	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Tan Sri Datuk TUNG Ching Sai <i>P.S.M, D.M.S.M, J.P.</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⁾		99,465,100	15.34
	Interest in persons acting in concert ⁽²⁾		461,393,649	71.16
Mr. NG Ngan Ho	Interest in a controlled corporation	Linkall ⁽⁴⁾ (as defined below)	20,654,086	3.19
		Full Guang ⁽³⁾ (as defined below)	4,436,100	0.68
	Personal interest		1,110,000	0.17
	Interest in persons acting in concert ⁽²⁾		461,393,649	71.16
Ms. LI Pik Yung	Personal interest		41,088	0.01

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (1) Tan Sri Datuk TUNG Ching Sai, J.P. 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, J.P., which is the registered owner of 37,039,885 Shares. Tan Sri Datuk TUNG Ching Sai, J.P. also has personal interest in 436,200 Shares held in his own name and 99,028,900 Shares held through his spouse, Puan Sri Datin SZE Tan Hung.
- (2) Pursuant to the shareholders' agreement dated 25 June 2016 entered into amongst the controlling shareholders (as defined in the GEM Listing Rules) (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 of the Company dated 28 June 2016).
- (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, J.P. 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 20,654,086 Shares.

(ii) Share options of the Company

Director/ Chief Executive	Capacity	Number of share options outstanding	Approximate percentage of the issued share capital of the Company (%)
Ms. LI Pik Yung	Personal interest	176,000	0.03
Mr. ZHA Xue Song	Personal interest	1,044,000	0.16

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(iii) Interest in the shares of associated corporations of the Company

Name of associated corporation	Name of Director	Class and number of shares held in the associated corporation	Approximate percentage of the associated corporation's issued share capital (%)
Copark	Tan Sri Datuk TUNG Ching Sai, J.P.	2 ordinary shares	100.00
Linkall	Mr. NG Ngan Ho	2 ordinary shares	100.00
Full Guang	Tan Sri Datuk TUNG Ching Sai, J.P.	350,000 ordinary shares	16.20
	Mr. NG Ngan Ho	80,000 ordinary shares	3.70

Save as disclosed above, as at 30 June 2021, 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, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (a) 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 are taken or deemed to have taken under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2021.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 June 2021, 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 Shares

Name of the Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Dr. LEE Yin Yee, B.B.S.	Interest in a controlled corporation ⁽³⁾	108,781,432	16.78
	Interest in a controlled corporation ⁽⁴⁾	936,000	0.14
	Interest in a controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest ⁽³⁾	34,141,500	5.27
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16
Mr. TUNG Ching Bor	Interest in a controlled corporation ⁽⁵⁾	40,014,968	6.17
	Interest in a controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest ⁽⁵⁾	8,971,200	1.38
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Name of the Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. LEE Sing Din	Interest in a controlled corporation ⁽⁶⁾	37,739,263	5.82
	Interest in a controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest	3,115,500	0.48
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16
Mr. LI Ching Wai	Interest in a controlled corporation ⁽⁷⁾	17,487,129	2.70
	Interest in a controlled corporation ⁽¹⁾	4,436,100	0.68
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16
Mr. LI Man Yin	Interest in a controlled corporation ⁽⁸⁾	11,856,285	1.83
	Interest in a controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest ⁽⁸⁾	1,551,000	0.24
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16
Mr. SZE Nang Sze	Interest in a controlled corporation ⁽⁹⁾	17,140,616	2.64
	Interest in a controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest	1,002,000	0.15
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16
Mr. LI Ching Leung	Interest in a controlled corporation ⁽¹⁰⁾	11,678,085	1.80
	Interest in a controlled corporation ⁽¹⁾	4,436,100	0.68
	Personal interest/Spouse interest ⁽¹⁰⁾	4,273,500	0.66
	Interest in persons acting in concert ⁽²⁾	461,393,649	71.16

Notes:

- (1) The interests in the Shares are held through Full Guang. 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, J.P. 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, 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 (as defined in the prospectus of the Company dated 28 June 2016).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (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) Dr. LEE Yin Yee, B.B.S.'s interests in the 936,000 Shares are held through Xin Yuen Investment Limited, a company incorporated in the BVI with limited liability on 17 January 2019, which was wholly-owned by Xin Wong Investment Limited ("**Xin Wong**"). Xin Wong is 50% owned by Dr. LEE Yin Yee, B.B.S. and 50% owned by his spouse, Madam TUNG Hai Chi.
- (5) 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 8,971,200 Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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 2021, the Company had not been notified by any 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 by the Company pursuant to section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SHARE OPTION SCHEME

A share option scheme (the “**Scheme**”) was adopted by the shareholders of the Company at the annual general meeting held on 31 May 2017 and will be valid for a period of ten years from the date of adoption of the Scheme. The following table sets forth movements in the share options of the Company for the six months ended 30 June 2021:

	Number of share options								
	Grant date	Exercise price (HK\$)	Exercisable period	At			At		
				1 January 2021	Granted	Exercised	Cancelled	Lapsed	30 June 2021
Executive Director									
- Ms. LI Pik Yung	13/8/2018 ⁽⁴⁾	1.946	1/4/2021 - 31/3/2022	44,000	-	-	-	-	44,000
	3/9/2019 ⁽⁵⁾	1.170	1/4/2022 - 31/3/2023	44,000	-	-	-	-	44,000
	24/8/2020 ⁽⁶⁾	1.400	1/4/2023 - 31/3/2024	44,000	-	-	-	-	44,000
	11/5/2021 ⁽⁷⁾	4.800	1/4/2024 - 31/3/2025	-	44,000 ⁽¹⁾	-	-	-	44,000
Chief executive officer									
- Mr. ZHA Xue Song (Appointed on 26 February 2021)	18/12/2020 ⁽⁷⁾	2.040	1/4/2024 - 31/3/2025	1,000,000	-	-	-	-	1,000,000
	11/5/2021 ⁽⁷⁾	4.800	1/4/2024 - 31/3/2025	-	44,000 ⁽¹⁾	-	-	-	44,000
Continuous contract employees									
	1/8/2017	1.523	1/4/2020 - 31/3/2021	86,382	-	(76,693) ⁽²⁾	-	(9,689)	-
	13/8/2018 ⁽⁴⁾	1.946	1/4/2021 - 31/3/2022	278,600	-	(101,100) ⁽³⁾	-	(45,232)	132,268
	3/9/2019 ⁽⁵⁾	1.170	1/4/2022 - 31/3/2023	462,000	-	-	-	(30,000)	432,000
	24/8/2020 ⁽⁶⁾	1.400	1/4/2023 - 31/3/2024	508,000	-	-	-	(34,300)	473,700
	18/12/2020 ⁽⁷⁾	2.040	1/4/2024 - 31/3/2025	9,300,000	-	-	-	-	9,300,000
	11/5/2021 ⁽⁷⁾	4.800	1/4/2024 - 31/3/2025	-	1,502,000 ⁽¹⁾	-	-	-	1,502,000
				<u>11,766,982</u>	<u>1,590,000</u>	<u>(177,793)</u>	<u>-</u>	<u>(119,221)</u>	<u>13,059,968</u>

Notes:

1. The closing price of the shares immediately before the date on which the options were granted was HK\$4.750.
2. The weighted average closing price of shares immediately before the dates on which the options were exercised was HK\$5.207.
3. The weighted average closing price of shares immediately before the dates on which the options were exercised was HK\$4.889.
4. One third of the options shall vest on each of the year-end date of 2018, 2019 and 2020.
5. One third of the options shall vest on each of the year-end date of 2019, 2020 and 2021.
6. One third of the options shall vest on each of the year-end date of 2020, 2021 and 2022.
7. One third of the options shall vest on each of the year-end date of 2021, 2022 and 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

NO COMPETING BUSINESS

The Company and Xinyi Solar Holdings Limited ("**Xinyi Solar**") (stock code: 00968), a company listed on the Main Board of the Stock Exchange, are both engaged in the provision of EPC Services for photovoltaic power stations.

Arrangements have been implemented that there will be no competing business between the Company and Xinyi Solar in terms of geographical locations. There is no overlapping customer between the Company and Xinyi Solar.

Save as disclosed above, as far as the Directors are aware of, during the six months ended 30 June 2021, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) or their respective associates (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete, either directly or indirectly, with the business of the Group or have any other conflicts of interests which any such person has or may have with the Group. Hence, the Deed of Non-Competition (as defined in the prospectus of the Company dated 28 June 2016) has been duly complied with.

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 the Company and the 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 2021, the Company had complied with the applicable code provisions set forth in the CG Code.

DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AUDIT COMMITTEE

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

The unaudited interim results of the Company for the six months ended 30 June 2021 have not been reviewed by the external auditor but have been reviewed by the Audit Committee.

By order of the Board
Xinyi Electric Storage Holdings Limited
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*
Chairman

Hong Kong, 30 July 2021