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

ANNUAL REPORT

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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[ø]

Independent non-executive Directors

Mr. WANG Guisheng[*ø<]
Mr. NG Wai Hung[#<]
Mr. CHAN Hak Kan, S.B.S., J.P.[#+]

* 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. CHEUNG Siu On Victor, CPA

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Cayman Islands

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AUDITOR

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Certified Public Accountant
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PRINCIPAL BANKERS

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

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Cayman Islands

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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 annual report: HK$4.14
Market capitalisation as of the date of this annual report: Approximately HK$2,953 million

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "**Board**") of the Company, I am pleased to present the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021.

For the year ended 31 December 2021, the Group recorded a 132.1% increase in revenue from HK$218.1 million in 2020 to HK$506.2 million in 2021. The profit attributable to owners of the Company increased by 214.4% from HK$19.9 million in 2020 to HK$62.6 million in 2021. The increase was primarily due to the increase in the revenue and gross profit attributable to engineering, procurement and construction services (the "**EPC Services**").

I present below an overview of the business of the Group during 2021 and key development highlights for the coming year.

BUSINESS REVIEW

Electric Storage Business – Expansion on production capacity, upgrading existing equipment and continuously investing in research and development ("R&D") to enhance market competitiveness

Since the start of the production of lithium battery products in 2017, the Group has developed and launched various types of energy storage system products and power battery products. Through the integrated R&D, design, production, system integration and services centered on self-produced lithium batteries, the Group has fully leveraged the competitive advantage of the vertically integrated industrial chain, and battery products have become the core business of the Group so far.

In 2021, construction of the Group's lithium battery plant in Zhangjiagang, Jiangsu Province has been completed and production has commenced. This new production facility provides a broader range of integrated products to customers, which enables the Group to position itself well for the opportunities arising from the rapid growth of the electric storage industry.

The Group has always adhered to technology innovation and 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 market change, and thereby strive to offer customers a wider range of power supply products, technical services and comprehensive system solutions. During the year, the Group established subsidiaries in Shenzhen and Xi'an, the People's Republic of China (the "**PRC**"), focusing on the R&D of charging apparatuses, power conversion systems and electric storage technology, with an aim to widen the R&D spectrum in various areas of power supply.

EPC Services for photovoltaic power stations – New business leads to revenue and profit growth and the development of EPC Services business in overseas markets

In 2020, the Group seized the opportunities arising from the rapid development of the photovoltaic market and embarked on the EPC Services business for photovoltaic power stations in the PRC and Canada. These businesses contributed significant revenue and profit to the Group in 2021.

The Group successfully undertook a number of distributed photovoltaic EPC projects in the PRC in 2021, and the installation and grid connection of such have either completed or progressing as per designed schedule. In addition, the Group's EPC Services business in Canada is also under rapid development and is currently focusing on providing EPC Services to household users in the provinces of Nova Scotia and Prince Edward Island in Canada. The Directors expect that the strong performance in Canada would facilitate the Group's business development in overseas markets.

CHAIRMAN'S STATEMENT

BUSINESS OUTLOOK

Under the objectives of "carbon neutrality and carbon emission peak (碳中和、碳達峰)", in 2021, the Chinese government has released several policies related to the energy storage industry. As supported by these favourable national policies, the Group is well positioned to continue increasing its investment in the electric storage business to capture the opportunities created by the booming energy storage industry. At the same time, as the application of photovoltaic system is more commonly known and the distributed photovoltaic power stations are built with idle roof, it provides a huge room for development for photovoltaic system. The Group will also continue to actively explore new projects in EPC Services, as the Directors expect that EPC Services business in the PRC would contribute stable revenue and profit to the Group.

As for the EPC Services business in Canada, the Canadian government launched the Canada Greener Homes Grant in May 2021. The launch of such scheme encouraged households in Canada to install energy-saving equipment, which is favourable to the Group's EPC Services business. In addition, the Group plans to encourage the use of micro energy storage system in residential buildings in Canada in the future. Such new products are expected to drive business growth for the Group.

The Group is also proactively exploring other new energy-related businesses in order to fully utilise its potential as an integrated new energy enterprise. The Group is actively preparing for the development of a new business of producing photovoltaic films, and plans to construct a production facility for photovoltaic films in Wuhu City, Anhui Province. Under the support of national policies, the demand for solar products (including solar modules) is expected to increase. Photovoltaic films, being one of the important materials for solar modules, is expected to receive increasing demands in line with the growth of the solar power industry. The Group believes that the development of the photovoltaic film business will bring considerable growth in the Group's revenue and profit, and is beneficial to the Group's continuous development in the new energy industry.

CONCLUSION

2021 is a year full of opportunities and challenges for the Group. Looking forward, as driven by the favourable national policies, the Group is confident in the development potential of new energy industries such as electric storage and photovoltaic power. With the Group's robust financial strength, we will continue to drive business expansion proactively and maintain our competitiveness in the market, bringing satisfactory returns to our shareholders in the long run.

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*
Chairman

2 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a significant increase in revenue by 132.1% to HK$506.2 million in 2021 from HK$218.1 million in 2020. Profit attributable to owners of the Company also increased significantly by 214.4% to HK$62.6 million in 2021 from HK$19.9 million in 2020. The remarkable performance was primarily due to the increase in the sales revenue and gross profit attributable to EPC Services in 2021. The following sets forth brief information on the principal business segments of the Group.

New Energy - Electric Storage Business

The Group has production facilities for the manufacturing and sales of lithium battery products. Products of the Group are mainly sold and installed in integrated systems comprising lithium batteries, battery management systems and other components (such as energy management systems and power conditioning systems).

The Group's energy storage facilities are installed with lithium batteries, which are being used as large-scale power banks for manufacturing facilities to facilitate load shifting and power stabilisation, uninterruptible power supply and a wide range of micro energy storage products. The Group is also engaged in the provision of contract processing services for battery packs and energy storage products to its customers.

In March 2021, the Group relocated the production facilities to Zhangjiagang, Jiangsu Province and has commenced operation accordingly.

New Energy - EPC Services

The Group provides EPC Services for photovoltaic power stations to customers in the PRC for installation of photovoltaic power stations on their premises.

In addition to the domestic market in the PRC, in the fourth quarter of 2020, the Group established a subsidiary in Canada, namely Polaron Energy Corp., for the provision of EPC Services in the overseas markets.

Automobile Glass Repair and Replacement Business

The Group operates four service centres and a motorcade service team for the automobile glass repair and replacement services in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group's revenue was HK$506.2 million (2020: HK$218.1 million), representing an increase by 132.1% mainly attributable to the change in revenue contributed by business segments analysed as follows:

Revenue — by segment

	Year Ended 31 December					
	2021		2020		Increase/(decrease)	
	HK$'million	***%***	*HK$'million*	*%*	*HK$'million*	*%*
Electric storage business	**101.1**	**20.0**	94.5	43.3	6.6	7.0
EPC Services	**309.7**	**61.2**	39.2	18.0	270.5	690.1
Automobile glass repair and replacement services	**42.7**	**8.4**	45.1	20.7	(2.4)	(5.3)
Others (Trading of forklift and wind farm related business)	**52.7**	**10.4**	39.3	18.0	13.4	34.1
Total revenue	**506.2**	**100.0**	218.1	100.0	288.1	132.1

Revenue — by geographical area

	Year Ended 31 December					
	2021		2020		Increase/(decrease)	
	HK$'million	***%***	*HK$'million*	*%*	*HK$'million*	*%*
The PRC	**328.3**	**64.9**	169.4	77.7	158.9	93.8
Canada	**134.2**	**26.5**	1.5	0.7	132.7	8,846.7
Hong Kong	**42.7**	**8.4**	46.0	21.1	(3.3)	(7.2)
Others	**1.0**	**0.2**	1.2	0.5	(0.2)	(16.7)
Total revenue	**506.2**	**100.0**	218.1	100.0	288.1	132.1

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

(a) the increase in revenue attributable to the EPC Services, which contributed revenue amounting to HK$309.7 million for the year ended 31 December 2021 as compared to revenue amounting to HK$39.2 million for the year ended 31 December 2020;

(b) the increase in revenue attributable to "Others" business segment by 34.1%, which was mainly due to the increase in sales of the forklifts and the increase in service fee recognised by the Group pursuant to the wind farm management agreement dated 6 November 2020; and

(c) partially offset by the decrease in revenue attributable to the automobile glass repair and replacement services by HK$2.4 million or 5.3%, 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$89.5 million (2020: HK$75.4 million) arising from the electric storage business, HK$220.8 million (2020: HK$27.5 million) arising from the EPC Services, HK$31.9 million (2020: HK$33.8 million) arising from the automobile glass repair and replacement services, and HK$37.9 million (2020: HK$30.7 million) arising from others (trading of forklift and wind farm related business).

Cost of revenue for the electric storage business of HK$89.5 million (2020: HK$75.4 million) mainly comprised of the material cost, labour cost and depreciation charge of property, plant and equipment. The gross profit of the electric storage business decreased from HK$19.0 million for the year ended 31 December 2020 to HK$11.6 million for the year ended 31 December 2021 mainly due to the increase in purchase cost of certain raw materials for production.

Cost of revenue for the EPC Services of HK$220.8 million (2020: HK$27.5 million) mainly comprised of the material cost, installation cost and subcontracting cost. The gross profit of the EPC Services increased from HK$11.7 million for the year ended 31 December 2020 to HK$88.9 million for the year ended 31 December 2021 mainly due to the increase in number of EPC Services contracts undertaken in the PRC and Canada during the year.

Cost of revenue for the automobile glass repair and replacement services decreased from HK$33.8 million for the year ended 31 December 2020 to HK$31.9 million for the year ended 31 December 2021. The gross profit of the automobile glass repair and replacement services decreased from HK$11.3 million for the year ended 31 December 2020 to HK$10.8 million for the year ended 31 December 2021 mainly because the rental and 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 23.3% for the year ended 31 December 2020 to 24.9% for the year ended 31 December 2021 mainly due to the relatively higher gross profit margin attributable to the EPC Services for photovoltaic power stations, of 28.7%.

Other income

Other income mainly represented the government grants from the PRC government to incentivise the investment and research and development 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. In March 2021, the Group moved out of the premises in accordance with the termination agreement.

Other gains, net

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

Expenses

Selling and marketing costs increased by HK$6.6 million from HK$5.3 million for the year ended 31 December 2020 to HK$11.9 million for the year ended 31 December 2021, which was mainly due to (i) the increase in number of employees; and (ii) the increase in expenses in connection with selling activities such as transportation cost for delivering products to customers and travelling and entertainment expenses.

Administrative expenses increased by HK$30.0 million from HK$32.0 million for the year ended 31 December 2020 to HK$62.0 million for the year ended 31 December 2021, primarily due to (i) the expenses incurred for the termination of employment with certain employees in connection with the move out of the factory; (ii) the increase in number of employees and the share-based compensation for share options granted in the year; and (iii) the increase in the expenditure for research and development of the Group's products.

Finance costs

No finance costs were charged to profit or loss for the year ended 31 December 2021 (2020: Nil) as all the interest expenses were capitalised. During the year under review, interest expense of HK$1.9 million (2020: HK$0.6 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 increase in amount capitalised was mainly attributable to the higher weighted average carrying amount of bank borrowings during the year to finance the capital expenditures for its lithium battery production facilities.

Income tax expense

The Group incurred income tax expense of HK$20.6 million for the year ended 31 December 2021 (2020: HK$4.1 million), which comprised of Hong Kong profits tax, PRC Corporate Income Tax and Canadian corporate income tax. The effective tax rate was 23.7% for the year ended 31 December 2021 (2020: 17.0%). The increase in income tax expense and effective tax rate is mainly due to the increase in profit before income tax and 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 before income tax and net profit for the year

The Group recorded profit before income tax for the year ended 31 December 2021 of HK$87.0 million (2020: HK$24.2 million). This was mainly attributable to the performance of the Group as analysed above.

The profit attributable to owners of the Company increased by 214.4% from HK$19.9 million in 2020 to HK$62.6 million in 2021.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2021, the Group's primary sources of funding included its own working capital, the net proceeds from the rights issue in May 2018 and December 2021 and bank borrowings. As at 31 December 2021, the Group had net current assets of HK$428.7 million (31 December 2020: HK$194.5 million) and cash and cash equivalents of HK$433.2 million (31 December 2020: HK$152.9 million) which were placed with major banks in Hong Kong, the PRC and Canada. As at 31 December 2021, the Group had bank borrowings of HK$227.3 million (31 December 2020: HK$8.0 million) and had unutilised banking facilities of HK$96.8 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 31 December 2021 and 2020.

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 and December 2021, 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$172.7 million for the year ended 31 December 2021 (2020: HK$70.5 million), which was mainly related to the development and construction of lithium battery production facilities in the PRC.

Capital commitments contracted but not provided for by the Group as at 31 December 2021 amounted to HK$39.7 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.

PLEDGE OF ASSETS

As at 31 December 2021, a bank balance of HK$7.1 million was pledged to secure for the Group's bills payables (2020: Nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 364 (31 December 2020: 259) full-time employees, of whom 266 (31 December 2020: 200) were based in the PRC, 59 (31 December 2020: 59) were based in Hong Kong and 39 (31 December 2020: Nil) were based in Canada. The total staff costs, including the emoluments of the Directors, amounted to HK$78.7 million (2020: HK$49.6 million) for the year ended 31 December 2021. 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 are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

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

FINAL DIVIDEND

The Directors did not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

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 Hong Kong dollars ("**HK$**"), Chinese Renminbi ("**RMB**") and Canadian Dollar ("**CAD**"). Exchange rate fluctuations between RMB and HK$ or CAD and HK$ could affect the Group's performance and asset value.

Amid the recent appreciation (2020: appreciation) of RMB against HK$, the Group reported non-cash translation gain (2020: gain) – an increase in the reserve of its consolidated statement of financial position of HK$11.8 million (2020: HK$25.1 million), when converting RMB-denominated assets and liabilities into HK$ at 31 December 2021.

The Group transacts mainly in HK$ and RMB. However, the Group retains some bank balances in HK$ in the PRC which contributed to a foreign currency translation gain of HK$0.3 million (2020: loss of HK$0.4 million) as HK$ fluctuates against RMB during the year ended 31 December 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 year ended 31 December 2021, the Group did not use any financial instrument for hedging purpose.

USE OF PROCEEDS OF RIGHTS ISSUE

(a) In May 2018, the Company raised net proceeds of HK$198.9 million by way of rights issue of 108,022,591 rights shares. The table below sets forth the proposed applications of the net proceeds and the actual utilisation up to 31 December 2021:

	Proposed applications of the net proceeds *HK$'million*	Remaining balance as at 31 December 2020 *HK$'million*	Amount utilised up to 31 December 2021 *HK$'million*	Remaining balance as at 31 December 2021 *HK$'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	—

(b) In December 2021, the Company raised net proceeds of HK$228.2 million by way of rights issue of 64,845,744 rights shares. The table below sets forth the proposed applications of the net proceeds and the actual utilisation up to 31 December 2021:

	Proposed applications of the net proceeds *HK$'million*	Amount utilised up to 31 December 2021 *HK$'million*	Remaining balance as at 31 December 2021 *HK$'million*	Timeline for the intended use
Additional capital for electric storage business and EPC Services business	105.4	—	105.4	By end of 2022
Investment in new photovoltaic film production line	100.0	—	100.0	By end of 2022
General working capital	22.8	—	22.8	By end of 2022
	228.2	—	228.2	

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

As at 31 December 2021, there were no significant investments held which exceed 5% of the total assets of the Group. There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2021. Save as the disclosed plan to set up the new photovoltaic film production line in Wuhu, Anhui Province, the PRC, there were no other plans authorised by the Board for any material investments or additions of capital assets as at the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* (董清世), aged 56, is a non-executive Director and the Chairman of the Board and is responsible for the formulation of the Group's overall business strategy. Tan Sri Datuk TUNG Ching Sai, J.P. joined the Group since December 1996. Tan Sri Datuk TUNG Ching Sai, J.P. has been working with Xinyi Glass Holdings Limited ("**Xinyi Glass**"), a company listed on the main board of the Stock Exchange (stock code: 00868), and its subsidiaries (collectively "**Xinyi Glass Group**") for 33 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass, the vice chairman and non-executive director of Xinyi Solar Holdings Limited ("**Xinyi Solar**") (stock code: 00968), and the vice chairman and executive director of Xinyi Energy Holdings Limited ("**Xinyi Energy**") (stock code: 03868), all of them are listed on the main board of the Stock Exchange. Tan Sri Datuk TUNG Ching Sai, J.P. is a standing committee member of the twelve session of the Guangxi Zhuang Autonomous Regional Committee of the Chinese People's Political Consultative Conference, a member of the executive committee of All-China Federation of Industry and Commerce, chairman of the Happy Hong Kong Foundation, president of Hong Kong Industrial & Commercial Association, and vice chairman of the China Architectural and Industrial Glass Association. Tan Sri Datuk TUNG Ching Sai, J.P. obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur award in September 2001 and was awarded the"Young Industrialist Awards of Hong Kong 2006". Tan Sri Datuk TUNG Ching Sai, J.P. graduated from the Sun Yat-Sen University with a senior executive master degree in business administration. Tan Sri Datuk TUNG Ching Sai, J.P. is the uncle of Ms. LI Pik Yung, an executive Director, and Mr. LEE Shing Kan, a non-executive Director. Tan Sri Datuk TUNG Ching Sai, J.P. is the brother-in-law of Dr. LEE Yin Yee, B.B.S., one of the controlling shareholders (the "**Controlling Shareholders**") of the Company, and brother of Mr. TUNG Ching Bor, one of the Controlling Shareholders.

EXECUTIVE DIRECTORS

Mr. NG Ngan Ho (吳銀河), aged 57, is the executive Director. Mr. NG is responsible for overseeing the daily operations and management of the Group. Mr. NG joined the Group since July 2016 and was the chief executive officer of the Company from 14 November 2018 to 26 February 2021. Mr. NG was appointed as the executive Director in May 2020. Mr. NG joined Xinyi Glass in August 2003 and was responsible for overseeing the finance and procurement of the industrial park in Dongguan, the PRC of Xinyi Glass. Mr. NG was appointed as an executive director of Xinyi Glass on 25 June 2004 and has been re-designated as a non-executive director of Xinyi Glass since 1 July 2007.

Ms. LI Pik Yung (李碧蓉), aged 49, is the executive Director and the chief operation officer of the Company. Ms. LI is responsible for overseeing the daily management, sales and marketing activities and human resources matters of the Group, as well as the daily operations of our automobile glass repair and replacement services business. Ms. LI has been working for the Group for over 20 years and was promoted as our executive Director in December 2015. Ms. LI is a niece of Tan Sri Datuk TUNG Ching Sai, J.P., the non-executive Director and one of the Controlling Shareholders and a cousin of Mr. LEE Shing Kan, the non-executive Director.

NON-EXECUTIVE DIRECTOR

Mr. LEE Shing Kan (李聖根), aged 42, is the non-executive Director. Mr. LEE joined the Group since April 2004. Mr. LEE has been working in Xinyi Glass for over 16 years. Mr. LEE is currently an executive director of Xinyi Glass and is responsible for overseeing the automobile glass business segment of Xinyi Glass. Mr. LEE holds a bachelor's degree in commerce from the University of Melbourne and a master's degree in applied finance from Monash University. Mr. LEE is a committee member of the Fujian Province Committee of Chinese People's Political Consultative Conference and the chief supervisor of the Federation of HK Sichuan Community Organisations. Mr. LEE was a director of Tung Wah Group of Hospitals from 2012 to 2014. Mr. LEE has been the executive committee member and the vice chairman of the Lok Sin Tong Benevolent Society, Kowloon since April 2018 and April 2020 respectively. Mr. LEE is a nephew of Tan Sri Datuk TUNG Ching Sai, J.P., a non-executive Director and one of the Controlling Shareholders, and a cousin of Ms. LI Pik Yung, an executive Director. Mr. LEE is the son of Dr. LEE Yin Yee, B.B.S., one of the Controlling Shareholders.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Guisheng (王貴升), aged 52, is the independent non-executive Director since June 2016. Mr. WANG obtained a master's degree in business administration from China Europe International Business School in August 2014. Mr. WANG is qualified as Certified Public Accountant with the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and has been a member of the Association of Chartered Certified Accountants of England since April 2003. Mr. WANG was an independent director of Sunshine Global Circuits Co., Ltd. (stock code: 300739), a company listed on the Shenzhen Stock Exchange from January 2016 to February 2022. Currently, Mr. WANG is an executive director, chief financial officer and joint company secretary of Smoore International Holdings Limited (stock code: 06969), a company listed on the main board of the Stock Exchange.

Mr. NG Wai Hung (吳偉雄), aged 58, is the independent non-executive Director since June 2016. Mr. NG graduated from the University of Hong Kong with a bachelor's degree in laws in 1987. Mr. NG is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors. Mr. NG practices in the areas of securities law, corporate law and commercial law in Hong Kong. Currently, Mr. NG is an independent non-executive director of Lajin Entertainment Network Group Limited (stock code: 08172), 1957 & Co. (Hospitality) Limited (stock code: 08495), both of them are listed on the GEM of the Stock Exchange, and Winshine Science Company Limited (stock code: 00209), a company listed on the main board of the Stock Exchange, and a non-executive director of Coolpad Group Limited (stock code: 02369), a company listed on the main board of the Stock Exchange.

Mr. CHAN Hak Kan, S.B.S., J.P. (陳克勤), aged 45, is the independent non-executive Director since June 2016. Mr. CHAN graduated from The Chinese University of Hong Kong, obtained a bachelor's degree in social science in December 1997, and further obtained a master's degree in social science in December 2003. From January 2000 to December 2003, Mr. CHAN served as an elected member of the Sha Tin District Council. From October 2008 to October 2011, and July 2012 to June 2018, Mr. CHAN served as a member of the Council of The Chinese University of Hong Kong, and Beat Drugs Fund Association Governing Committee, respectively. Mr. CHAN has been a member of the HKSAR Legislative Council, Tung Wah Group of Hospitals Advisory Board, ICAC Advisory Committee on Corruption and Witness Protection Review Board Panel since October 2008, October 2016, January 2017 and January 2019, respectively. In June 2012, Mr. CHAN was appointed as the Justice of the Peace by the Chief Executive of Hong Kong. Currently, Mr. CHAN is an independent non-executive director of Oshidori International Holdings Limited (stock code: 00622) and Imagi International Holdings Limited (stock code: 00585), both of them are listed on the main board of the Stock Exchange.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

ZHA Xue Song (查雪松), aged 50, is the chief executive officer of the Company. Mr. ZHA joined the Group in November 2020 as a vice president of the Group and was promoted as the chief executive officer on 26 February 2021. From March 1996 to August 2017, Mr. ZHA worked for Xinyi Glass and his last position was vice president and was responsible for overseeing the operation and management of production facilities. Mr. ZHA was a lecturer at the Chinese Medicine Institute of Hubei Province (currently known as Hubei University of Chinese Medicine) from July 1994 to December 1995 after graduation from Hubei University in 1994 with a bachelor's degree of arts. Mr. ZHA then completed the course of postgraduate certificate in international laws at Shenzhen University in 2002 and the EMBA course at Peking University in 2007. Mr. ZHA was awarded the honorary title of Datuk by Malaysian government in 2016.

CHEUNG Siu On Victor (張兆安), aged 34, is the financial controller and company secretary of the Company and is responsible for the overall financial and company secretarial matters of the Group. Mr. CHEUNG joined the Group in April 2020. Mr. CHEUNG obtained a Bachelor's Degree in Business Administration (Honours) in Accountancy from The Hong Kong Polytechnic University. Mr. CHEUNG has over ten years of experience in auditing and prior to joining the Group, Mr. CHEUNG worked for Xinyi Glass. Mr. CHEUNG is a member of the HKICPA.

CORPORATE GOVERNANCE REPORT

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the"**CG Code**") set forth in Part 2 of Appendix 15 of the GEM Listing Rules throughout the year of 2021.

The Company has applied the principles of the CG Code and in the opinion of the Board, the Company has complied with the applicable principles and code provisions of the CG Code for the year ended 31 December 2021.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors, and Tan Sri Datuk TUNG Ching Sai, J.P. is the Chairman of the Board.

The two executive Directors are Mr. NG Ngan Ho and Ms. LI Pik Yung. Ms. LI Pik Yung is a niece of Tan Sri Datuk TUNG Ching Sai, J.P. and a cousin of Mr. LEE Shing Kan.

The two non-executive Directors are Tan Sri Datuk TUNG Ching Sai, J.P. and Mr. LEE Shing Kan. Mr. LEE Shing Kan is a nephew of Tan Sri Datuk TUNG Ching Sai, J.P. and a cousin of Ms. LI Pik Yung.

The three independent non-executive Directors are Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, S.B.S., J.P..

The Company has complied with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors, one independent non-executive director of which has the appropriate professional qualifications or accounting or related finance management expertise and the independent non-executive directors represent at least one-third of the Board.

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

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set forth on pages 12 to 13 in this annual report.

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

Tan Sri Datuk TUNG Ching Sai, J.P. is the Chairman of the Board and Mr. ZHA Xue Song is the Chief Executive Officer of the Company. The Chairman is responsible for managing and providing leadership to the Board. Tan Sri Datuk TUNG Ching Sai, J.P. is responsible for ensuring that the Group has maintained strong and effective corporate governance practices and procedures.

The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of other members of the Board and other senior management, Mr. ZHA closely monitors the operating and financial results of the Group, identifies any weakness in the operation and takes all necessary and appropriate steps to remedy such weakness. Mr. ZHA is also responsible for formulating the future business plans and strategies of the Group for the Board's approval.

The current articles of association of the Company provide that at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall subject to retirement by rotation at least once every three years.

Each of the two non-executive Directors and the three independent non-executive Directors has entered into a letter of appointment with us on 25 June 2016 for a term of three years commencing from the Listing Date and such terms of appointment have been renewed for three years from 12 July 2019.

The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 5.09 of the GEM Listing Rules.

Attendance records of the Directors at board meetings, board committee meetings and general meetings in 2021 are as follows:

	Meetings attended/held				
Directors	**Board meetings**	**Audit committee meetings**	**Nomination committee meetings**	**Remuneration committee meetings**	**General meetings**
Tan Sri Datuk TUNG Ching Sai, J.P.	6/6	-/-	1/1	-/-	2/2
Mr. NG Ngan Ho	6/6	-/-	-/-	-/-	2/2
Ms. LI Pik Yung	6/6	-/-	-/-	-/-	2/2
Mr. LEE Shing Kan	6/6	-/-	-/-	1/1	2/2
Mr. WANG Guisheng	6/6	4/4	1/1	1/1	2/2
Mr. NG Wai Hung	6/6	4/4	1/1	-/-	2/2
Mr. CHAN Hak Kan, S.B.S., J.P.	6/6	4/4	-/-	1/1	2/2

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by the Directors (the "**Model Code**") on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2021.

REMUNERATION COMMITTEE

The remuneration committee (the "**Remuneration Committee**") of the Board comprises three members, namely Mr. CHAN Hak Kan, S.B.S., J.P., Mr. LEE Shing Kan and Mr. WANG Guisheng. The chairman of the Remuneration Committee is Mr. CHAN Hak Kan, S.B.S., J.P..

The Remuneration Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and making recommendations to the Board on the remuneration packages of the Directors and senior management. During the year ended 31 December 2021, one meeting of the Remuneration Committee was held to discuss and review such matters.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors and the chief executive of the Company) by band for the year ended 31 December 2021 is set forth below:

In the band of:	Number of individuals
Nil to HK$1,000,000	1

Details of remuneration of the Directors and the chief executive is set out in Note 9 to the consolidated financial statements in this annual report.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Board comprises three independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, S.B.S., J.P.. Mr. WANG Guisheng is the chairman of the Audit Committee. The audited consolidated financial statements of the Group for the year ended 31 December 2021 has been reviewed by the Audit Committee.

The Audit Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. 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 auditor and provide advice and comments to the Board on matters related to corporate governance. During the year ended 31 December 2021, the Audit Committee held four meetings for reviewing the quarterly, interim, and annual financial results and reports as well as the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor.

NOMINATION COMMITTEE

The nomination committee (the "**Nomination Committee**") of the Board consists of three members, namely Tan Sri Datuk TUNG Ching Sai, J.P., Mr. WANG Guisheng and Mr. NG Wai Hung. The chairman of the Nomination Committee is Tan Sri Datuk TUNG Ching Sai, J.P..

The Nomination Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The primary duties of the Nomination Committee are to review the structure, size and diversity (including the skills, knowledge and experience) of the Board on a regular basis, assess the independence of independent non-executive Directors of the Company, and make recommendations to the Board regarding the appointment, retirement and re-election of Directors. During the year ended 31 December 2021, one meeting of the Nomination Committee was held to discuss, review and assess such matters.

NOMINATION POLICY

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

— Reputation for integrity;

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

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

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

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

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

Procedures for Shareholders' nomination of any proposed candidate for election as a Director are stated in "Procedures for Shareholders to Propose a Director" and disclosed in the Company's website.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 41 to 47 in this annual report.

AUDITOR'S REMUNERATION

The professional fee charged by the external auditor of the Company, BDO Limited, for the year ended 31 December 2021 is as follows:

	HK$
Services in respect of:	
– auditing services in respect of the annual financial statements of the Group	880,000
– professional services in connection with rights issue of the Company	120,000

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2021.

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

Based on the results of the internal control review for the year ended 31 December 2021 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2021.

DIRECTORS' INDUCTION AND PARTICIPATION IN CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

We provide to all the Directors a comprehensive induction package which includes introduction on the business operations, internal procedures and general policy of the Company and a summary of statutory and regulatory obligations of directors under the GEM Listing Rules and other relevant laws and regulations. During the year, all the Directors were provided with regular updates on the Group's business, operations, risk management and corporate governance matters to enable the Board as a whole and each Director to discharge their duties. The Directors are also encouraged to attend both in-house training and training provided by independent service providers. Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

COMPANY SECRETARY

The company secretary is Mr. CHEUNG Siu On Victor, a member of the HKICPA. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. Further information on his biography is set forth on page 14 of this annual report. Mr. CHEUNG has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING AND PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

(i) the annual general meeting provides a forum for the Shareholders of the Company to raise comments and exchange views with the Board. The Directors are available at the annual general meetings of the Company to address Shareholders' queries;

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

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

(iv) Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the Company Secretary or via e-mail to "ir@xyglass.com.hk".

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2021.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set forth in Note 30 to the consolidated financial statements in this annual report.

RESULTS AND APPROPRIATIONS

The Group's financial performance for the year ended 31 December 2021 is set forth in the consolidated statement of profit or loss and other comprehensive income on pages 48 to 49 in this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021.

BUSINESS REVIEW AND PROSPECTS

A business review of the Group for the year ended 31 December 2021 and its future development is set out in the Chairman's Statement from pages 3 to 4 and Management Discussion and Analysis from pages 5 to 11 in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

— *Exhaust air:* The Group adopted de-ionized water, which is totally no harmful to the environment when vaporized, as a solvent for mixing of anode powders. N-Methyl Pyrrolidone (NMP) is used as cathode solvent and its recovery rate is over 95% by using the condensing technique to realize continuous recapturing and air purification.

— *Solid wastes:* Packaging material for different raw materials and chemicals, scrap electrodes and general domestic waste are the major solid wastes. Most of the packaging materials were returned to the suppliers or sold to recycling companies.

Lithium battery is a renewable energy product, which can reduce the reliance on traditional fuels and cause less damage to the environment and resources. Compared with conventional batteries, lithium-ion batteries feature an array of advantages including high energy density, light weight, tiny size, long life cycle and quick charging. They are also known as "green and new energy products" since they are free of heavy metals such as lead, cadmium and do not contain toxic substances.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is in the process of preparing its Environmental, Social and Governance report for the year ended 31 December 2021 and will publish it on the Stock Exchange's website and the Company's website on or before 31 May 2022.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group values relationships with, and have been maintaining good relationships with its customers, raw material and equipment suppliers, service providers and the employees of the Group. During the year ended 31 December 2021, there were no material disputes between the Group and its customers, suppliers and employees.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Electric storage business

— The levels of demand and supply of battery pack and energy storage system, and lithium battery products are not entirely within the Group's control and are generally affected by the energy storage and forklift industries, the government support measures to the energy storage and forklift companies, the overall macroeconomic factors in the principal lithium battery and energy storage related markets, and the production capacity of other lithium battery and energy storage product manufacturers.

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

EPC Services business

– The levels of demand and supply of solar energy and EPC Services are not entirely within the Group's control and are generally affected by government support measures for clean energy and overall macroeconomic factors.

– The performance of the EPC Services business is dependent on the Group's ability to source quality products and subcontractors at reasonable prices.

Automobile glass repair and replacement business

— Our business and financial conditions and operating results depend on the constant supply of automobile glass and our ability to effectively manage and maintain our level of inventories.

— Our profitability is subject to the rise and fluctuation of the prices of the automobile glass.

— Any complaints or claims by our customers or negative publicity on our Group could materially and adversely affect our reputation and business.

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

Details of the Group's exposure to foreign exchange risk and other financial risks are set out in the paragraphs under "Treasury Policies and Exposure to Fluctuation in Exchange Rates" in the section headed "Management Discussion and Analysis" on page 10 and paragraphs under "Financial Risk Management and Fair Value Measurement" in Note 33 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the consolidated results of the Group for the past five years ended 31 December 2021 and the consolidated assets and liabilities of the Group as of 31 December 2017, 2018, 2019, 2020 and 2021 is set forth in the section headed "Financial Summary" in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 31 December 2021 are set forth in Note 14 to the consolidated financial statements in this annual report.

SHARES ISSUED DURING THE YEAR

Details of the movements in share capital of the Company during the year are set forth in Note 25 to the consolidated financial statements in this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**"), pursuant to which the Company may distribute dividends to the Shareholders by way of cash or shares. Any distribution of dividends shall be in accordance with the Articles and the distribution shall achieve continuity, stability and sustainability.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval by the Shareholders. The Board takes into account the following factors when considering the declaration and payment of dividends:

- liquidity position of the Company;
- financial results;
- Shareholders' interests;
- general business conditions and strategies;
- capital requirements;
- contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any;
- taxation considerations;
- possible effects on the creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2021, share premium amounting to HK$528.8 million (31 December 2020: HK$300.7 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2021 the Company had no distributable reserve available for distribution to Shareholders (31 December 2020: Nil) other than mentioned above.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

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

Independent non-executive Directors

Mr. WANG Guisheng
Mr. NG Wai Hung
Mr. CHAN Hak Kan, S.B.S., J.P.

In accordance with Article 108 of the Articles, Mr. LEE Shing Kan, Mr. WANG Guisheng and Mr. NG Wai Hung will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "**Annual General Meeting**").

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the annual confirmations of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The emoluments of the Directors are recommended by the Remuneration Committee and are decided by the Board, taking into account the Group's operating results, individual performance as well as market trends and practices. The Company's policies concerning remuneration of the executive Directors are:

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

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

(iii) the executive Directors may be granted, at the discretion of the Board, options pursuant to the share option scheme of the Company (the "**Share Option Scheme**"), as part of their remuneration package.

None of the non-executive Directors receives any emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group.

Save for the remuneration of HK$180,000 for each independent non-executive Director in 2021, none of the independent non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, S.B.S., J.P. and their mutual agreement with the Company.

Details of the remuneration of the Directors are set out in Note 9 to the consolidated financial statements in this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the continuing connected transaction disclosed on pages 35 to 38 and the related parties transactions disclosed in Note 32 to the consolidated financial statements in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

SHARE OPTION SCHEME

The following table sets forth movements in the share options of the Company for the year ended 31 December 2021:

	Grant date	Exercise price (HK$)	Exercisable period	Number of share options At 1/1/2021	Granted	Adjustment for the Rights Issue	Exercised	Cancelled	Lapsed	At 31/12/2021
Executive Director										
Ms. LI Pik Yung	13/8/2018[5]	1.917[2]	1/4/2021 - 31/3/2022	44,000	–	–	(44,000)[4]	–	–	–
	3/9/2019[6]	1.153[2]	1/4/2022 - 31/3/2023	44,000	–	656[2]	–	–	–	44,656
	24/8/2020[7]	1.379[2]	1/4/2023 - 31/3/2024	44,000	–	656[2]	–	–	–	44,656
	11/5/2021[8]	4.730[2]	1/4/2024 - 31/3/2025	–	44,000[1]	656[2]	–	–	–	44,656
Chief executive officer										
Mr. ZHA Xue Song	18/12/2020[8]	2.010[2]	1/4/2024 - 31/3/2025	1,000,000	–	14,898[2]	–	–	–	1,014,898
(appointed on 26 February 2021)	11/5/2021[8]	4.730[2]	1/4/2024 - 31/3/2025	–	44,000[1]	656[2]	–	–	–	44,656
Continuous contract employees	1/8/2017	1.523	1/4/2020 - 31/3/2021	86,382	–	–	(76,693)[3]	–	(9,689)	–
	13/8/2018[5]	1.917[2]	1/4/2021 - 31/3/2022	278,600	–	1,717[2]	(118,100)[4]	–	(45,232)	116,985
	3/9/2019[6]	1.153[2]	1/4/2022 - 31/3/2023	462,000	–	6,435[2]	–	–	(65,523)	402,912
	24/8/2020[7]	1.379[2]	1/4/2023 - 31/3/2024	508,000	–	7,057[2]	–	–	(86,062)	428,995
	18/12/2020[8]	2.010[2]	1/4/2024 - 31/3/2025	9,300,000	–	138,552[2]	–	–	–	9,438,552
	11/5/2021[8]	4.730[2]	1/4/2024 - 31/3/2025	–	1,502,000[1]	22,376[2]	–	–	(48,717)	1,475,659
				11,766,982	1,590,000	193,659	(238,793)	–	(255,223)	13,056,625

Notes:

1. The closing price of the shares immediately before the date on which the options were granted was HK$4.750.
2. As a result of the Rights Issue, adjustments to the exercise price and the number of Shares to be issued upon exercise of the outstanding share options were made pursuant to the terms and conditions of the Share Option Scheme, Rule 23.03(13) of the GEM Listing Rules in relation to the adjustment to the terms of the Share Option Scheme, the Supplementary Guidance on GEM Listing Rule 23.03(13) and the Note Immediately After the Rule attached to the Frequently Asked Question No. 072-2020 issued by the Stock Exchange on 6 November 2020.
3. The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$5.207.
4. The weighted average closing price of shares immediately before the dates on which the options were exercised was HK$5.496.
5. One third of the options shall vest on each of the year-end date of 2018, 2019 and 2020.
6. One third of the options shall vest on each of the year-end date of 2019, 2020 and 2021.
7. One third of the options shall vest on each of the year-end date of 2020, 2021 and 2022.
8. One third of the options shall vest on each of the year-end date of 2021, 2022 and 2023.
9. As at 2 March 2022, a total of 40,737,313 share options were available for issue under the Share Option Scheme which represents approximately 5.7% of the issued ordinary shares of the Company.

A summary of the principal terms of the Share Option Scheme is as follows:

(i) Purpose

The Share Option Scheme is established to recognise and acknowledge the contributions the eligible participants (the "**Participants**") had or may have made to the Group and to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with the Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(ii) Participants

The Participants include: (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "**Invested Entity**") in which the Group holds any equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, any subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any consultants, advisers, managers, officers who provide research, development, other technological support or services to the Group or any Invested Entity; and (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and, for the purposes of the Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of persons.

(iii) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10%. in nominal amount of the aggregate of shares in issue as at the date of approval of the Share Option Scheme (the "**Scheme Mandate Limit**"). The shares underlying any options granted under the Share Option Scheme or any other share option schemes of the Company which have been cancelled (but not options which have lapsed) will be counted for the purpose of the Scheme Mandate Limit.

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

(iv) Maximum entitlement of each Participant

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

(v) Option period

The period during which the share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted. Save as determined by the Board and provided in the offer of the grant of the relevant share options, there is no minimum period for which a share option must be held before it can be exercised.

(vi) Acceptance and payment on acceptance

An offer for the grant of share options must be accepted within thirty days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of share option is HK$1.00.

(vii) Option price for subscription of shares

The subscription price of a share in respect of any particular share option granted under the Share Option Scheme will be such price as determined by the Board in its absolute discretion, but in any event will not be less than the higher of:

(a) the official closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, which must be a business day;

(b) the average of the official closing prices of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of a Share.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 31 May 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management as at the date of this annual report are set forth on pages 12 to 14 in this annual report.

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

As of 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the"**SFO**")) which and 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); (b) entered in the register 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

Name of Director/ Chief Executive	Capacity	Name of the controlled corporation	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Tan Sri Datuk TUNG Ching Sai, J.P.	Interest in a controlled corporation	Copark[1] (as defined below)	40,864,638	5.73
		Full Guang[3] (as defined below)	4,883,634	0.68
	Personal interest/ Spouse interest[1]		109,411,610	15.34
	Interest in persons acting in concert[2]		507,941,293	71.21
Mr. NG Ngan Ho	Interest in a controlled corporation	Linkall[4] (as defined below)	22,738,746	3.19
		Full Guang[3] (as defined below)	4,883,634	0.68
	Personal interest		1,221,000	0.17
	Interest in persons acting in concert[2]		507,941,293	71.21
Ms. LI Pik Yung	Personal interest		93,596	0.01

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 40,864,638 Shares. Tan Sri Datuk TUNG Ching Sai, J.P. also has personal interest in 479,820 Shares held in his own name and 108,931,790 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 22,738,746 Shares.

(ii) Share options of the Company

Name of 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	133,968	0.02
Mr. ZHA Xue Song	Personal interest	1,059,554	0.15

(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 of 31 December 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 were taken or deemed to have 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.

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

So far as is known to the Directors, as of 31 December 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 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]	119,786,909	16.79
	Interest in a controlled corporation[4]	1,029,600	0.14
	Interest in a controlled corporation[1]	4,883,634	0.68
	Personal interest[3]	37,555,650	5.27
	Interest in persons acting in concert[2]	507,941,293	71.21
Mr. TUNG Ching Bor	Interest in a controlled corporation[5]	44,059,821	6.18
	Interest in a controlled corporation[1]	4,883,634	0.68
	Personal interest[5]	9,868,320	1.38
	Interest in persons acting in concert[2]	507,941,293	71.21

Name of 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)	41,549,328	5.82
	Interest in a controlled corporation(1)	4,883,634	0.68
	Personal interest	3,427,050	0.48
	Interest in persons acting in concert(2)	507,941,293	71.21
Mr. LI Ching Wai	Interest in a controlled corporation(7)	19,251,310	2.70
	Interest in a controlled corporation(1)	4,883,634	0.68
	Interest in persons acting in concert(2)	507,941,293	71.21
Mr. LI Man Yin	Interest in a controlled corporation(8)	13,053,905	1.83
	Interest in a controlled corporation(1)	4,883,634	0.68
	Personal interest(8)	1,706,100	0.24
	Interest in persons acting in concert(2)	507,941,293	71.21
Mr. SZE Nang Sze	Interest in a controlled corporation(9)	18,870,619	2.65
	Interest in a controlled corporation(1)	4,883,634	0.68
	Personal interest	1,102,200	0.15
	Interest in persons acting in concert(2)	507,941,293	71.21
Mr. LI Ching Leung	Interest in a controlled corporation(10)	12,860,003	1.80
	Interest in a controlled corporation(1)	4,883,634	0.68
	Personal interest/spouse interest(10)	4,700,850	0.66
	Interest in persons acting in concert(2)	507,941,293	71.21

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.

(3) Dr. LEE Yin Yee, B.B.S.'s interests in 119,786,909 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 37,555,650 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 1,029,600 Shares are held through Xin Yuen Investment Limited, a company incorporated in the BVI with limited liability on 17 January 2019, which is 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 44,059,821 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 9,868,320 Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.

(6) Mr. LEE Sing Din's interest in 41,549,328 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 19,251,310 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 13,053,905 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 1,706,100 Shares are held through a joint account with his spouse, Madam LI Sau Suet.

(9) Mr. SZE Nang Sze's interests in 18,870,619 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 12,860,003 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 4,634,850 Shares held in his own name and 66,000 Shares held through his spouse, Madam DY Maria Lumin.

Save as disclosed above, as of 31 December 2021, the Company had not been notified by any persons (other than the Directors or chief executive 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.

NO COMPETING BUSINESS

The Company and Xinyi Solar are both engaged in the provision of EPC Services for photovoltaic power stations. Xinyi Solar is controlled by certain controlling shareholders and directors of the Company. Arrangements have been in place to ensure 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, during the year ended 31 December 2021, none of the Directors or the Controlling Shareholders 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. During the year ended 31 December 2021, the independent non-executive Directors have reviewed on behalf of the Company the compliance with Deed of Non-competition (as defined in the prospectus of the Company dated 28 June 2016) and are satisfied that the controlling shareholders of the Group and their associates have complied with the provisions of the Deed of Non-competition.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2021, appropriate insurance covering for the Directors' and senior management's liabilities arising from or incidental to execution of duties of his/her office has been arranged by the Company. Permitted indemnity provision is currently inforce and was inforce throughout the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed in the paragraphs under "Share Option Scheme" in this Report of the Directors and Note 29 to the consolidated financial statements in this annual report, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, sales to the Group's five largest customers accounted for approximately 46.0% of total sales and sales to the largest customer included therein amounted to approximately 24.4% of total sales. Purchases from the Group's five largest suppliers accounted for approximately 46.8% of total purchases during the year ended 31 December 2021 and purchases from the largest supplier included therein amounted to approximately 26.6% of total purchases. None of the Directors, their close associates (as defined in the GEM Listing Rules) or any of the Controlling Shareholders which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers and five largest suppliers during the year ended 31 December 2021.

BANK BORROWINGS

As at 31 December 2021, the Group had bank borrowings of HK$227.3 million (31 December 2020: HK$8.0 million). Particulars of the bank borrowings are set out in Note 23 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As at 31 December 2021, we had about 364 full-time employees and most of them are based in the PRC, Hong Kong and Canada. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee. Details of the employee benefit expenses of the Group for the year ended 31 December 2021 are set forth in Note 8 to the consolidated financial statements in this annual report. The Directors confirm that the Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products, services and business processes.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2021 are set forth in Note 32 to the consolidated financial statements in this annual report. The related party transactions fall under the definition of connected transactions and continuing connected transactions under the GEM Listing Rules (as disclosed below) have complied with the requirements under Chapter 20 of the GEM Listing Rules. Some of these transactions also constitute "connected transaction" and "non-exempt continuing connected transactions" under Chapter 20 of the GEM Listing Rules, as identified below. Save for the aforementioned, other related party transactions as set out in Note 32 to the consolidated financial statements in this annual report were entitled to full exemption from the annual review and disclosure requirements under Chapter 20 of the GEM Listing Rules.

Connected transaction

During the year ended 31 December 2021, the Group had the following connected transaction, details of which are set forth below:

(1) Formation of a joint venture company

On 7 April 2021, the Group entered into the joint venture agreement (the "**Joint Venture Agreement**") with Shenzhen Boneng New Energy Technology Co., Ltd. ("**Shenzhen Boneng**"), a company established in the PRC with limited liability and is owned as to 60.0% by Mr. Antonio TAM (including the interest through his associate), 20.0% by Mr. Mohan WANG and 20.0% by Ms. JIANG Hui, who is unrelated to Mr. TAM and Mr. WANG, in relation to formation of a joint venture company (the "**JV Company**") which will be principally engaged in the research and development, and sales of renewable energy products. Upon completion of the establishment of the JV Company, it will be owned as to 68.0% by the Group and 32.0% by Shenzhen Boneng, with registered capital of RMB30.0 million and capital reserve of RMB9.6 million. The JV Company will be a non-wholly owned subsidiary of the Company. Each of Mr. TAM and Mr. WANG is a connected person at the subsidiary level of the Company pursuant to Chapter 20 of the GEM Listing Rules and Shenzhen Boneng is in turn an associate of connected persons at the subsidiary level of the Company. Accordingly, the Joint Venture Agreement constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

Non-exempt continuing connected transactions

During the year ended 31 December 2021, the Group had the following non-exempt continuing connected transactions, details of which are set forth below:

(1) Purchase of glass products

On 18 December 2018, the Group entered into a glass supply framework agreement ("**Glass Supply Framework Agreement**") with Xinyi International Investments Limited and Xinyi Group (Glass) Company Limited, both of which are subsidiaries of Xinyi Glass, in relation to the purchase of automobile glass products by the Group from Xinyi Glass Group. The purpose of the Glass Supply Framework Agreement was to secure a stable and reliable supply source of automobile glass products which can satisfy our specifications and quality requirements. The maximum aggregate amount to be paid was set at HK$7.2 million, HK$7.7 million and HK$8.2 million for the years ended 31 December 2019, 2020 and 2021 respectively. Xinyi Glass is a company with common controlling shareholders with the Company, and is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the Glass Supply Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

For the year ended 31 December 2021, the purchase of automobile glass products by the Group from Xinyi Glass Group amounted to HK$6.3 million, which was within the maximum aggregate amount of the Glass Supply Framework Agreement.

(2) Wind farm management service

On 6 November 2020, the Group entered into a wind farm management agreement ("**Wind Farm Management Agreement**") with Xinyi Wind Power (Jinzhai) Company Limited (金寨信義風能有限公司) (the "**Wind Farm Owner**"), a subsidiary of Xinyi Glass, pursuant to which the Group has agreed to provide management services for the operation of the wind farm owned by the Wind Farm Owner. The maximum aggregate amount to be received was set at RMB1.4 million (equivalent to HK$1.6 million), RMB8.5 million (equivalent to HK$9.9 million), RMB8.5 million (equivalent to HK$9.9 million) and RMB7.1 million (equivalent to HK$8.2 million) for the period from 6 November 2020 to 31 December 2020, years ending 31 December 2021 and 2022 and the period from 1 January 2023 to 31 October 2023 respectively. Xinyi Glass is a company with common controlling shareholders with the Company, and is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the Wind Farm Management Agreement constitutes a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

For the year ended 31 December 2021, the management fee received by the Group from the Wind Farm Owner amounted to RMB8.0 million (equivalent to approximately HK$9.6 million), which was within the maximum aggregate amount of the Wind Farm Management Agreement.

(3) Sales of electric storage products

On 8 April 2021, the Group entered into product sales framework agreement ("**Xinyi Glass Sales Framework Agreement**") with Xinyi Group (Glass) Company Limited, a subsidiary of Xinyi Glass and product sales framework agreement ("**Xinyi Solar Sales Framework Agreement**") with Xinyi Solar for the sales of battery packs and energy storage systems by the Group to Xinyi Glass Group and Xinyi Solar Group respectively. The maximum aggregate amount to be received under the Xinyi Glass Sales Framework Agreement was set at RMB7.5 million, RMB6.0 million and RMB5.0 million for the period from 28 May 2021 to 31 December 2021 and years ending 31 December 2022 and 2023 respectively. The maximum aggregate amount to be received under the Xinyi Solar Sales Framework Agreement was set at RMB30.0 million, RMB82.0 million and RMB74.0 million for the period from 28 May 2021 to 31 December 2021 and years ending 31 December 2022 and 2023 respectively. Xinyi Glass and Xinyi Solar are companies with common controlling shareholders with the Company, and are therefore connected persons of the Company under the GEM Listing Rules. Accordingly, the Xinyi Glass Sales Framework Agreement and Xinyi Solar Sales Framework Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

For the year ended 31 December 2021, the sales of battery packs and energy storage systems by the Group to Xinyi Glass Group and Xinyi Solar Group amounted to RMB4.9 million (equivalent to approximately HK$5.9 million) and RMB0.2 million (equivalent to approximately HK$0.2 million) respectively, which were within the maximum aggregate amount of the Xinyi Glass Sales Framework Agreement and Xinyi Solar Sales Framework Agreement.

The Company confirms that it has complied with the disclosure requirements in respect of the above connected transaction and non-exempt continuing connected transactions in accordance with Chapter 20 of the GEM Listing Rules in so far as they are applicable.

All independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 20.54 of the GEM Listing Rules, the Company's auditor was engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 36 to 37 in this annual report in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Non-exempt continuing connected transactions after the reporting period

The Group had the following non-exempt continuing connected transactions after the reporting period, details of which are set out below:

(1) Purchase of glass products

On 22 December 2021, the Group entered into a renewed glass supply framework agreement with Xinyi International Investments Limited and Xinyi Group (Glass) Company Limited, both of which are subsidiaries of Xinyi Glass, in relation to the purchase of automobile glass products by the Group from Xinyi Glass Group. The purpose of the renewed glass supply framework agreement was to secure a stable and reliable supply source of automobile glass products which can satisfy the specifications and the quality requirements of the Group. The maximum aggregate amount to be paid was set at HK$7.3 million, HK$7.9 million and HK$8.6 million for the years ending 31 December 2022, 2023 and 2024 respectively.

(2) Purchase of steam

On 2 March 2022, the Group entered into a steam supply agreement with Xinyi Glass (Jiangsu) Company Limited (信義玻璃 (江蘇) 有限公司) ("**Xinyi Glass (Jiangsu)**"), a subsidiary of Xinyi Glass, in relation to the purchase of steam by the Group from Xinyi Glass (Jiangsu). The purpose of the steam supply agreement was to secure a stable and reliable supply source of steam for the production of electric storage products. The maximum aggregate amount to be paid was set at RMB2.7 million (equivalent to HK$3.3 million), RMB3.3 million (equivalent to HK$4.1 million) and RMB3.3 million (equivalent to HK$4.1 million) for the ten months ending 31 December 2022 and years ending 31 December 2023 and 2024 respectively.

The Company confirms that it has complied with the disclosure requirements in respect of the above non-exempt continuing connected transactions after the reporting period in accordance with Chapter 20 of the GEM Listing Rules in so far as they are applicable.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

The Company established an Audit Committee on 25 June 2016 with written terms of reference in compliance with the requirements of 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 system of the Group, nominate and monitor external auditor and to 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, S.B.S., J.P.. Mr. WANG Guisheng is the chairman of the Audit Committee. The Audit Committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the year ended 31 December 2021.

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

For the year ended 31 December 2021, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this annual report, there is sufficient public float or not less than 25% of the Shares are in the hands of the public as required under the GEM Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in the paragraphs under "Connected Transaction" in this Report of the Directors, no significant events have taken place subsequent to 31 December 2021 and up to the date of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of the Directors subsequent to the date of the 2021 interim report of the Company is as follows:

Mr. NG Wai Hung has been appointed as the chairman of the remuneration committee and redesignated as a member of the nomination committee of Winshine Science Company Limited (stock code: 00209) with effect from 10 September 2021.

AUDITOR

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

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Thursday, 2 June 2022, at 21st Floor, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 11:45 a.m.. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.xyglass.com.hk, and will be dispatched to the Shareholders in due course.

On behalf of the Board
Tan Sri Datuk TUNG Ching Sai ***P.S.M, D.M.S.M, J.P.***
Chairman

Hong Kong, 2 March 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF XINYI ELECTRIC STORAGE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Xinyi Electric Storage Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 48 to 131, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for inventories

(Refer to note 18 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to provision for inventories set out in note 4.1)

As at 31 December 2021, the carrying value of the Group's inventories amounted to HK$180,017,000, net of impairment provision of HK$1,000,000 (2020: HK$34,917,000, net of impairment provision of HK$1,000,000), which consisted mainly of solar modules, lithium battery products, battery pack and energy storage system products and automobile glass for various car models. Inventories are carried at lower of cost and net realisable value in the consolidated financial statements.

As the demand of solar modules, lithium battery products, battery pack and energy storage system products are subject to future changes of technology development and automobile glass are complementary to various car models that change from time to time, management applies judgement in estimating the net realisable value of inventories taking into consideration of a number of factors, including market data of solar modules, lithium battery products, battery pack and energy storage system products and car models, gross margin of subsequent sales, sales and utilisation history, physical conditions and ageing of inventories. For the year ended 31 December 2021, inventories amounted to HK$305,000 (2020: HK$1,021,000) had been written off or provided for impairment after management's assessment.

We identified this area as a key audit matter because the carrying amount of inventories is a material balance to the consolidated statement of financial position and judgements are involved in estimating the provision of inventories, which might have a significant financial impact to the consolidated financial statements.

Our response:

Our procedures in relation to management's assessment on provision for inventories included:

- understood and evaluated the appropriateness and consistency of the basis management used in estimating the level of provision for inventories by comparing the historical accuracy of inventory provisioning, on a sample basis, to the realised amount; and the level of inventory write-offs or provision for impairment during the year;
- performed physical inventory observation at year end to identify whether there is any damaged or obsolete inventory;
- checked, on a sample basis, the accuracy of inventories ageing used by management to estimate the appropriate provision for inventories;
- compared the carrying amounts of a sample of inventories to their net realisable value through a review of sales subsequent to the year end to check for completeness of the associated provision; and
- reviewed the assessment performed by management, in particular whether the inventories not being provided for or written off could be supported by future sales and continuous utilisation, by referencing to historical sales pattern and forecast sales, and our industry knowledge.

Valuation of investment in equity interest of an unlisted company

(Refer to note 16 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to the valuation of investment in equity interest of an unlisted company set out in note 4.2)

The Group had 18% equity interest in an unlisted company (the "Investment"), which has a wind farm in the People's Republic of China (the "PRC") with grid-connection. The Investment was accounted for as a financial asset at fair value through other comprehensive income and requires subsequent re-measurement at fair value at each reporting date.

Independent external valuation was obtained to support the fair value of the financial asset at fair value through other comprehensive income to be HK$23,244,000 as at 31 December 2021 (2020: HK$15,712,000). The related fair value gains recognised in other comprehensive income, net of tax, during the year then ended amounted to HK$5,948,000 (2020: fair value gains of HK$1,074,000).

The fair value of the Investment was determined by using the discounted cash flow approach and various key assumptions and estimates, including electricity output, operational expenses and discount rate. The methodology, model, assumptions used in determining the fair value of financial asset at fair value through other comprehensive income not traded in an active market require judgement, which are mainly based on market conditions existing at each reporting date.

We identified this area as a key audit matter because the assumptions, estimates and valuation methodology require the use of significant judgements and estimates. These estimates are also subject to uncertainty.

Our response:

Our procedures in relation to management's estimation of the fair value of the Investment included:

- assessed the competency, capability and objectivity of the independent professional valuer by considering its qualification, relevant experience and relationship with the Group;
- conducted discussions with management and the independent external valuer about the valuation techniques that are commonly used in the fair value estimations and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the fair value estimations, including:
  - discussed with the external valuer and management to understand the rationale and assess the appropriateness and consistency of the methodology used and the assumptions and estimates applied;
  - assessed the appropriateness of the electricity output and operational expenses based on market research performed on renewable energy industry in the PRC and historical experience of the investee; and
  - evaluated the appropriateness of the discount rate by considering the investee's weighted average cost of capital and the risk profile of the investee.

Impairment assessment of trade receivables and finance lease receivables and contract assets

(Refer to note 19 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to impairment of trade receivables, finance lease receivables and contract assets set out in note 4.3)

As at 31 December 2021, the Group had gross trade receivables, finance lease receivables and contract assets amounting to HK$343,177,000, and the allowance for impairment loss was HK$1,635,000.

The impairment assessment of trade receivables and contract assets are estimated based on an expected credit loss ("ECL") model as required under HKFRS 9 Financial Instruments. Loss allowance for trade receivables and contract assets are measured with lifetime ECL which result from all possible default events over the expected life of the trade receivables. Loss allowance for finance lease receivables is measured at an amount equal to 12-month ECL. Impairment assessment of these receivables is a subjective area as management requires application of judgement. Judgement is applied in considering the credit profile of these receivables, including default or delay in payments, historical settlement records, subsequent settlement status and ageing analysis. The management also considered forward-looking factors specific to the debtors and the economic environment.

We have identified impairment assessment of these receivables as a key audit matter due to considerable amount of judgement being required in conducting impairment assessment prepared by management as mentioned in the foregoing paragraph.

Our responses:

Our audit procedures in relation to management's impairment assessment on these receivables included:

- Obtained an understanding of how impairment is estimated by the management;
- Assessed the measurement of ECL of these receivables by obtaining the understanding of approach being adopted by the Group;
- Checked the ageing analysis of the trade receivables and finance lease receivables, on a sample basis, to the source documents;
- Reviewed the reasonableness of the use of ageing profile, historical settlement pattern, historical default rates, forecast economic conditions and other forward-looking information in the ECL model; and
- Checked the accuracy and the relevance of the input data being used in the ECL model.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 2 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**506,187**	218,134
Cost of revenue		**(380,048)**	(167,417)
Gross profit		**126,139**	50,717
Other income	6	**35,986**	5,480
Other gains, net	6	**813**	1,368
Impairment loss on financial assets		**(3,871)**	(416)
Selling and marketing costs		**(11,908)**	(5,295)
Administrative expenses		**(61,995)**	(32,032)
Share of results of an associate		**(4)**	—
Operating profit		**85,160**	19,822
Finance income	10	**1,795**	4,385
Finance costs	10	**—**	—
Profit before income tax	7	**86,955**	24,207
Income tax expense	11	**(20,634)**	(4,122)
Profit for the year		**66,321**	20,085
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of operations		**11,785**	25,099
Item that will not be subsequently reclassified to profit or loss			
Change in fair value of a financial asset at fair value through other comprehensive income, net of tax		**5,948**	1,074
		17,733	26,173
Total comprehensive income for the year		**84,054**	46,258

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 *HK$'000*	2020 *HK$'000*
Profit for the year attributable to:			
– owners of the Company		**62,629**	19,921
– non-controlling interests		**3,692**	164
		66,321	20,085
Total comprehensive income for the year attributable to:			
– owners of the Company		**80,421**	46,089
– non-controlling interests		**3,633**	169
		84,054	46,258
			(Restated)
		HK Cents	*HK Cents*
Earnings per share attributable to owners of the Company for the year			
Basic	12	**9.49**	3.03
Diluted	12	**9.40**	3.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021** *HK$'000*	2020 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**370,545**	203,147
Intangible assets	15	**11,716**	2,551
Financial asset at fair value through other comprehensive income	16	**23,244**	15,712
Interests in an associate	17	**308**	—
Trade receivables	19	**7,456**	11,763
Finance lease receivables	19	**53,763**	—
Prepayments for property, plant and equipment	19	**8,308**	18,613
		475,340	251,786
Current assets			
Inventories	18	**180,017**	34,917
Contract assets, trade and other receivables and prepayments	19	**352,032**	115,322
Income tax recoverable		**474**	604
Pledged bank deposits	20	**7,054**	—
Cash and cash equivalents	20	**433,154**	152,930
		972,731	303,773
Current liabilities			
Contract liabilities, trade and other payables	21	**414,658**	87,799
Provision for tax		**18,760**	7,318
Lease liabilities	22	**5,564**	6,115
Bank borrowings	23	**105,000**	8,000
		543,982	109,232
Net current assets		**428,749**	194,541
Total assets less current liabilities		**904,089**	446,327

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	22	**3,139**	3,775
Bank borrowings	23	**122,343**	—
Deferred tax liabilities	24	**9,273**	73
		134,755	3,848
Net assets		**769,334**	442,479
EQUITY			
Share capital	25	**7,133**	6,482
Reserves		**746,833**	435,826
		753,966	442,308
Non-controlling interests		**15,368**	171
Total equity		**769,334**	442,479

Tan Sri Datuk TUNG Ching Sai ***P.S.M, D.M.S.M, J.P.***
Chairman

NG Ngan Ho
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital HK$'000 (note 25)	Share premium* HK$'000 (note 27(b))	Capital reserves* HK$'000 (note 27(a))	Share-based payments reserve* HK$'000	Exchange reserve* HK$'000	Financial asset at fair value through other comprehensive income reserve* HK$'000	Statutory reserves* HK$'000 (note 27(c))	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2020	6,481	233,987	13,587	3,194	(10,789)	9,636	8,590	131,113	395,799	–	395,799
Profit for the year	–	–	–	–	–	–	–	19,921	19,921	164	20,085
Other comprehensive income											
Item that may be subsequently reclassified to profit or loss:											
– Exchange differences on translation of financial statements of operations	–	–	–	–	25,094	–	–	–	25,094	5	25,099
Item that will not be subsequently reclassified to profit or loss:											
– Change in fair value of a financial asset at fair value through other comprehensive income, net of tax	–	–	–	–	–	1,074	–	–	1,074	–	1,074
Total comprehensive income for the year	–	–	–	–	25,094	1,074	–	19,921	46,089	169	46,258
Transactions with owners											
Capital injection into a subsidiary	–	–	–	–	–	–	–	–	–	2	2
Employees share option scheme:											
– proceed from issue of shares (note 29)	1	163	–	(38)	–	–	–	–	126	–	126
– share-based payment expense (note 29)	–	–	–	294	–	–	–	–	294	–	294
– adjustment relating to forfeiture of share options (note 29)	–	–	–	(2,945)	–	–	–	2,945	–	–	–
Appropriation to statutory reserve	–	–	–	–	–	–	2,062	(2,062)	–	–	–
Total transactions with owners	1	163	–	(2,689)	–	–	2,062	883	420	2	422
Balance as at 31 December 2020	6,482	234,150	13,587	505	14,305	10,710	10,652	151,917	442,308	171	442,479

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital HK$'000 (note 25)	Share premium* HK$'000 (note 27(b))	Capital reserves* HK$'000 (note 27(a))	Share-based payments reserve* HK$'000	Exchange reserve* HK$'000	Financial asset at fair value through other comprehensive income reserve* HK$'000	Statutory reserves* HK$'000 (note 27(c))	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2021	6,482	234,150	13,587	505	14,305	10,710	10,652	151,917	442,308	171	442,479
Profit for the year	–	–	–	–	–	–	–	62,629	62,629	3,692	66,321
Other comprehensive income											
Item that may be subsequently reclassified to profit or loss:											
– Exchange differences on translation of financial statements of operations	–	–	–	–	11,844	–	–	–	11,844	(59)	11,785
Item that will not be subsequently reclassified to profit or loss:											
– Change in fair value of a financial asset at fair value through other comprehensive income, net of tax	–	–	–	–	–	5,948	–	–	5,948	–	5,948
Total comprehensive income for the year	–	–	–	–	11,844	5,948	–	62,629	80,421	3,633	84,054
Transactions with owners											
Issue of shares by rights issue, net of expenses (note 26)	649	227,457	–	–	–	–	–	–	228,106	–	228,106
Capital injection from a non-controlling interest	–	–	–	–	–	–	–	–	–	11,564	11,564
Employees share option scheme:											
– proceed from issue of shares (note 29)	2	569	–	(139)	–	–	–	–	432	–	432
– share-based payment expense (note 29)	–	–	–	2,699	–	–	–	–	2,699	–	2,699
– adjustment relating to forfeiture of share options (note 29)	–	–	–	(6)	–	–	–	6	–	–	–
Appropriation to statutory reserve	–	–	–	–	–	–	4,461	(4,461)	–	–	–
Total transactions with owners	651	228,026	–	2,554	–	–	4,461	(4,455)	231,237	11,564	242,801
Balance as at 31 December 2021	7,133	462,176	13,587	3,059	26,149	16,658	15,113	210,091	753,966	15,368	769,334

* These reserve accounts comprise the consolidated reserves of HK$746,833,000 (2020: HK$435,826,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Cash flows from operating activities			
Profit before income tax		**86,955**	24,207
Adjustments for:			
Finance income		**(1,795)**	(4,385)
Depreciation charge		**13,924**	19,476
Amortisation charge		**1,375**	797
Share of results of an associate		**4**	—
Share-based compensation		**2,699**	294
Impairment loss on contract assets, finance lease receivables, trade and other receivables		**702**	416
Impairment loss and write-off of other receivables		**3,169**	—
Loss on disposal of property, plant and equipment		**4,296**	150
Write-off and provision for impairment of inventories		**305**	1,021
Rent concessions		**—**	(1,242)
Operating profit before working capital changes		**111,634**	40,734
Increase in inventories		**(142,697)**	(3,141)
Increase in contract assets, trade and other receivables and prepayments		**(285,066)**	(49,595)
Increase in contract liabilities, trade and other payables		**319,450**	34,118
Cash generated from operations		**3,321**	22,116
Interest paid		**(1,883)**	(638)
Income tax paid		**(1,200)**	(4,686)
Net cash generated from operating activities		**238**	16,792
Cash flows from investing activities			
Purchase of property, plant and equipment		**(162,480)**	(70,494)
Investment in an associate		**(312)**	—
Increase in pledged bank deposits		**(6,939)**	—
Government grant received and write-off with property, plant and equipment		**—**	765
Proceeds from disposal of property, plant and equipment		**556**	—
Interest received		**1,795**	4,385
Net cash used in investing activities		**(167,380)**	(65,344)
Cash flows from financing activities			
Proceeds from the rights issue, net of expenses	26	**228,106**	—
Proceeds from issue of shares by share options		**432**	126
Proceeds from bank borrowings	34	**277,456**	8,000
Repayments of bank borrowings	34	**(58,113)**	(30,000)
Repayments of capital element of lease liabilities	34	**(4,339)**	(5,544)
Capital injection into a subsidiary from non-controlling interests		**—**	2
Net cash generated from/(used in) financing activities		**443,542**	(27,416)
Net increase/(decrease) in cash and cash equivalents		**276,400**	(75,968)
Cash and cash equivalents at 1 January		**152,930**	220,882
Effect of foreign exchange rate changes, on cash held		**3,824**	8,016
Cash and cash equivalents at 31 December	20	**433,154**	152,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Xinyi Electric Storage Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 November 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the "Group") are 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.

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

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000") unless otherwise stated. These consolidated financial statements have been approved and authorised for issue by the Board of Directors on 2 March 2022.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new or revised HKFRSs – effective 1 January 2021

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (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

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 New or revised HKFRSs that have been issued but are not yet effective

The following new or amended 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.

Annual Improvements to HKFRSs 2018–2020	Annual improvement project[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) [2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
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 HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]

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

2 Effective for annual periods beginning on or after 1 January 2023.

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

4 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.

The directors of the Company anticipate that the application of these new or amended 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 48 to 131 have been prepared in accordance with HKFRSs which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

The financial statements have been prepared on the historical cost convention, as modified by the revaluation of financial asset at fair value through other comprehensive income ("FVOCI"), which is measured at fair value. The measurement bases are fully described in the accounting policies below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and impacts on the Group's financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Subsidiaries

(a) Consolidation

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries (Continued)

(b) Separate financial statements

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

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

3.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions are eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Associates (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest it that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

3.4 Segment reporting

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

3.5 Foreign currency translation

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Foreign currency translation (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

Other exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in equity as exchange reserve. On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

3.6 Property, plant and equipment

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residue values over the estimated useful lives.

Storage containers and structures	20 to 30 years
Buildings	30 years
Machinery	5 to 10 years
Furniture and fixtures	3 to 5 years
Motor vehicles	5 to 10 years
Leasehold improvements	5 to 10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.8).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss within "other gains, net".

3.7 Intangible assets

(a) Internally generated intangible assets

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Intangible assets (Continued)

(a) Internally generated intangible assets (Continued)

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(b) Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired are as follows:

Intangible asset	Useful economic life	Valuation method
Patent	5 years	Estimated discounted cash flow

The Group amortises the internal-use software with a limited useful life using the straight-line method over 5 to 10 years. Intangible assets also include patents for design and technology with definite useful lives of 5 years. Intangible assets are tested for impairment as described below in note 3.8.

3.8 Impairment of non-financial assets

Property, plant and equipment, intangible assets and interests in subsidiaries are subject to impairment testing.

All assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, when an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Any impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value-in-use, if determinable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (Continued)

Debt instruments (Continued)

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as financial assets at FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Impairment loss on financial assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on investments in debt instruments that are measured at amortised cost. ECLs are a probability-weighted estimate of credit losses, which are measured as the present value of the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive (i.e. expected cash shortfalls). The expected cash shortfalls are discounted at the effective interest rate of the financial assets. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECLs for contract assets and trade receivables that result from transactions that are within the scope of HKFRS 15. Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of a financial instrument. The ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments including finance lease receivables, the Group recognises lifetime ECLs when there has been a significant increase in credit risk since initial recognition. When the credit risk on a financial instrument has not increased significantly since initial recognition (i.e. stage 1), the Group is required to measure the loss allowance for a financial instrument at an amount equal to 12-month ECLs, which represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. When the credit risk on that financial instrument has increased significantly since initial recognition (i.e. stage 2) or when the financial instrument is a credit-impaired financial asset (i.e. stage 3), the Group recognised lifetime ECLs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (Continued)

Impairment loss on financial assets (Continued)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- significant increases in credit risk on other financial instruments of the same debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group also considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (Continued)

Impairment loss on financial assets (Continued)

On the other hand, a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- a breach of contract, such as a default or past due event.

In addition, the Group considers that an event of default occurs when there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3.10 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.12 Equity

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

3.13 Financial liabilities

The Group classified its financial liabilities depending on the purpose for which the liabilities were incurred.

The Group's financial liabilities include trade and other payables, bank borrowings and lease liabilities. They are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost, using the effective interest method.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments. All related finance costs are recognised in accordance with the Group's accounting policy for finance costs (see note 3.14).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial liabilities (Continued)

Borrowings

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

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

Lease liabilities

The accounting policies of lease liabilities has been set out in note 3.15 below.

3.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

3.15 Leases

(a) The Group as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Leasehold land	Over the lease period of 33 years
Land use right	Over the lease period of 35 to 42 years

Leasehold land in Hong Kong is government-owned. Land use right is the right to use certain land in the PRC. The considerations paid for leasehold land and land use right are treated as prepayments for operating leases and amortised over the lease period using the straight-line method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Leases (Continued)

(a) The Group as a lessee (Continued)

(i) Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements and the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

(ii) Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Leases (Continued)

(b) The Group as a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

3.16 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue recognition (Continued)

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sales of goods

Revenue from sales of goods of the Group comprises:

- automobile glass repair and replacement services;
- production and sales of electric storage products; and
- trading of forklift.

Sales are recognised when control of the product has transferred, being when the product is delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery occurs when the product have been transported to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales of goods is based on the price specified in the sales contracts. No element of financing is deemed present as the sales are made with a credit term within 30-90 days, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

Receivable is recognised when the product is delivered at the point in time when the consideration is unconditional, which only the passage of time is required before the payment is due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue recognition (Continued)

(b) Provision of contract processing services for electric storage products/EPC Services for photovoltaic power system

The Group engages in the provision of contract processing services for electric storage products and EPC Services for photovoltaic power system.

The Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion to the contract costs incurred to date as a proportion to the total estimated contract costs while the contract costs and contract progress are highly correlated for the contracts. Invoices are issued according to contractual terms and are usually payable upon the date of issuance. Uninvoiced amounts are presented as contract assets.

When the outcome of a performance obligation in a contract can be reasonably measured, contract revenue and the associated contract costs are recognised over time based on the progress of the respective contract at the end of the reporting period. The progress toward complete satisfaction of the performance obligation of the contract is determined by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of a performance obligation in a contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognised in accordance with the accounting policy for onerous contracts as set out in note 3.19.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. The impairment of contract assets is measured, presented and disclosed on the same basis set out in note 3.9.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue recognition (Continued)

(c) Provision of wind-farm management service

The Group provides wind-farm management service to Xinyi Wind Power (Jinzhai) Company Limited. Revenue from provision for the wind-farm management service is recognised over time on a straight-line basis over the term of the contract.

(d) Other income

- Interest income is presented as finance income in the consolidated statement of profit or loss, where it is earned from financial assets that are held for cash management purposes. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).
- Dividends received from a financial asset measured at FVOCI are recognised as other income in the consolidated statement of profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

3.17 Government grants

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

Government grants relating to costs are deferred and recognised in the profit or loss as other income over the period necessary to match them with the costs that they are intended to compensate.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Financial guarantees

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

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

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

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

3.19 Provisions and contingent liabilities

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Accounting for income taxes

Income tax for the year comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit including existing taxable temporary differences will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply to the period when liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Employee benefits

(i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Pension obligations

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

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

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Equity settled share-based payment transactions

Share-based compensation benefits are provided to employees via the Company's employee share option scheme.

The fair value of the options granted under the Company's employee option scheme is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Employee benefits (Continued)

(iv) Equity settled share-based payment transactions (Continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

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

3.22 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependants of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4.1 Write-down of inventories to net realisable value

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

4.2 Estimation of the fair value of a financial asset at FVOCI

The Group had an 18% equity interests of an unlisted company, which has a wind-farm in the PRC with grid-connection since 2017. The investment was accounted for as a financial asset at FVOCI and requires subsequent re-measurement at fair value at each reporting date. As at 31 December 2021, the carrying amount of the financial asset at FVOCI was approximately HK$23,244,000 (2020: HK$15,712,000). The methodologies, models, assumptions used in determining the fair value of financial asset at FVOCI not traded in an active market require judgement, which are mainly based on market conditions existing at each reporting date.

4.3 Impairment of contract assets, finance lease receivables and trade and other receivables

The Group makes loss allowance on contract assets, finance lease receivables and trade and other receivables based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 *Useful lives and residual values of property, plant and equipment*

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

4.5 *Impairment assessment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on fair value less cost to sell or value-in-use calculations, as appropriate, taking into account the latest market information and past experience.

4.6 *Current and deferred income tax*

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

4.7 *Classification between finance leasing and operating leasing as a lessor*

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expenses recognition by the lessee, with the asset remaining recognised by the lessor). Situations that would normally lead to a lease being classified as finance lease including the followings:

(a) The lease transfers ownership of the underlying asset to the lessee by the end of the lease term;

(b) The lessee has the option to purchase the underlying asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;

(c) The lease term is for the major part of the economic life of the asset, even if title is not transferred;

(d) At the inception of the lease, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset;

(e) The underlying assets are of a specialised nature such that only the lessee can use them without major modification being made.

5. 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.

Electric storage business	:	The Group is engaged in manufacturing business of lithium battery products and the development, processing and sale of battery pack and energy storage system facilities with lithium batteries, like large-scale power banks for manufacturing facilities to facilitate load shifting and power stabilisation, uninterruptible power supply ("UPS") and power banks for households in the PRC. The Group is also engaged in the provision of contract processing services to customers in the PRC.
EPC Services	:	The Group is engaged in the provision of EPC Services for photovoltaic power stations in the PRC and Canada.
Automobile glass repair and replacement services	:	The Group operates four service centres and a motorcade service team for the automobile glass repair and replacement services in Hong Kong.
Others	:	(a) Trading of forklift – The Group is engaged in trading of forklift business in the PRC. (b) Wind farm related business – The Group has an equity investment in a wind farm project and has provided management services for the wind-farm operations and engaged in investment and is development in wind farm projects in the PRC.

5. SEGMENT INFORMATION (CONTINUED)

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

(a) Segment results

	Year ended 31 December 2021				
	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	101,089	309,688	42,713	52,697	506,187
Timing of revenue recognition within the scope of HKFRS 15					
– At a point in time	101,089	16,626	42,713	43,050	203,478
– Over time	—	292,483	—	9,647	302,130
	101,089	309,109	42,713	52,697	505,608
Revenue from other source:					
Finance lease income	—	579	—	—	579
Total revenue	101,089	309,688	42,713	52,697	506,187
Cost of revenue	(89,465)	(220,755)	(31,932)	(37,896)	(380,048)
Gross profit	11,624	88,933	10,781	14,801	126,139
Depreciation charge of property, plant and equipment	8,549	319	5,033	23	13,924
Amortisation charge of intangible assets	1,375	—	—	—	1,375

5. SEGMENT INFORMATION (CONTINUED)

(a) Segment results (Continued)

	Year ended 31 December 2020				
	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	94,491	39,176	45,098	39,369	218,134
Timing of revenue recognition within the scope of HKFRS 15					
– At a point in time	94,491	1,537	45,098	36,719	177,845
– Over time	—	37,639	—	2,650	40,289
	94,491	39,176	45,098	39,369	218,134
Cost of revenue	(75,447)	(27,502)	(33,817)	(30,651)	(167,417)
Gross profit	19,044	11,674	11,281	8,718	50,717
Depreciation charge of property, plant and equipment	13,243	—	6,208	25	19,476
Amortisation charge of intangible assets	797	—	—	—	797

5. SEGMENT INFORMATION (CONTINUED)

(a) *Segment results (Continued)*

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

	2021 ***HK$'000***	2020 *HK$'000*
Segment gross profit	**126,139**	50,717
Unallocated items:		
Other income	**35,986**	5,480
Other gains, net	**813**	1,368
Impairment loss on financial assets	**(3,871)**	(416)
Selling and marketing costs	**(11,908)**	(5,295)
Administrative expenses	**(61,995)**	(32,032)
Share of results of an associate	**(4)**	—
Finance income	**1,795**	4,385
Finance costs	**—**	—
Profit before income tax	**86,955**	24,207

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

	Electric storage business ***HK$'000***	**EPC Services** ***HK$'000***	**Total** ***HK$'000***
Year ended 31 December 2021			
Revenue from			
– Customer A	**68,268**	**—**	**68,268**
– Customer B	**—**	**123,647**	**123,647**
Year ended 31 December 2020			
Revenue from			
– Customer A	56,789	—	56,789

5. 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:

	2021 HK$'000	2020 HK$'000
The PRC	328,316	169,455
Canada	134,174	1,537
Hong Kong	42,713	45,980
Others	984	1,162
	506,187	218,134

(c) Segment assets and liabilities

	Year ended 31 December 2021				
	Electric storage business HK$'000	EPC Services HK$'000	Automobile glass repair and replacement services HK$'000	Others HK$'000	Total HK$'000
Total assets	666,090	440,176	62,821	49,085	1,218,172
Total assets included:					
Additions to non-current assets during the year (other than financial instruments and deferred tax assets)	174,513	2,939	5,046	840	183,338
Total liabilities	(200,058)	(223,616)	(13,649)	(12,542)	(449,865)

5. SEGMENT INFORMATION (CONTINUED)

(c) *Segment assets and liabilities (Continued)*

	Year ended 31 December 2020				
	Electric storage business *HK$'000*	EPC Services *HK$'000*	Automobile glass repair and replacement services *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total assets	429,161	46,011	39,885	37,499	552,556
Total assets included:					
Additions to non-current assets during the year (other than financial instruments and deferred tax assets)	70,935	—	4,578	1,301	76,814
Total liabilities	(61,683)	(14,038)	(12,740)	(15,572)	(104,033)

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

	Assets		Liabilities	
	2021 ***HK$'000***	2020 *HK$'000*	**2021** ***HK$'000***	2020 *HK$'000*
Reportable segment assets/(liabilities)	**1,218,172**	552,556	**(449,865)**	(104,033)
Unallocated items:				
Prepayments, deposits and other receivables	**270**	255	**—**	—
Cash and cash equivalents	**229,629**	2,748	**—**	—
Bank borrowings	**—**	—	**(227,343)**	(8,000)
Other creditors and accruals	**—**	—	**(1,529)**	(1,047)
Total assets/(liabilities)	**1,448,071**	555,559	**(678,737)**	(113,080)

5. SEGMENT INFORMATION (CONTINUED)

(c) *Segment assets and liabilities (Continued)*

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:

	2021 ***HK$'000***	2020 *HK$'000*
The PRC	**372,107**	208,140
Canada	**2,278**	—
Hong Kong	**16,492**	16,171
	390,877	224,311

(d) *Assets and liabilities related to contract with customers*

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

	2021 ***HK$'000***	2020 *HK$'000*
Contract assets:		
– Provision of EPC Services	**201,553**	2,552
Contract liabilities:		
– Provision of EPC Services	**18,691**	950
– Others	**3,281**	5,147
	21,972	6,097

(i) Significant changes in contract assets and liabilities

Contract assets have increased by HK$199,001,000 (2020: HK$2,552,000) relating to the Group's EPC Services due to increase in the number of incomplete EPC Services contracts as at reporting date.

Contract liabilities have increased by HK$15,875,000 (2020: HK$4,389,000) during the year mainly due to the increase in security deposits arising from ongoing EPC Services contracts as at 31 December 2021.

(ii) Revenue recognised in relation to contract liabilities

Revenue of HK$6,145,000 (2020: HK$1,710,000) is recognised in relation to contract liabilities in the year.

(iii) Given that all contracts are for the periods of one year or less or are billed based on progress completed to date, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. OTHER INCOME AND OTHER GAINS, NET

	2021	2020
	HK$'000	*HK$'000*
Other income		
Government grants (note (a))	**24,478**	4,866
Compensation from landlord (note (b))	**9,986**	—
Others	**1,522**	614
	35,986	5,480
Other gains, net		
Net gains on disposal of old facilities, scrapped materials or property, plant and equipment (note (c))	**466**	560
Rent concessions (note 22)	**—**	1,242
Exchange gains/(losses)	**347**	(434)
	813	1,368

Notes:

(a) For the year ended 31 December 2021, the balance mainly represents grants obtained from the PRC government to incentivise the investment and research and development which amounted to approximately HK$21,655,000 and HK$2,823,000 respectively.

For the year ended 31 December 2020, the balance mainly represented grants under the Employment Support Scheme ("ESS") introduced by HKSAR Government which amounted to approximately HK$3,201,000. The grants were to provide time-limited financial support to employers in order to retain employees who may otherwise be made redundant during the period of economic uncertainty as a result of global pandemic outbreak of COVID-19 and were allocated over the period to match the relevant costs incurred. There was no unfulfilled and other contingencies attaching to ESS.

(b) In March 2021, the Company and a landlord of factory situated in Anhui Province of the PRC entered into a termination agreement and, pursuant to which, the landlord agreed to compensate an amount of RMB8,301,000 (equivalent to approximately HK$9,986,000) to the Company to early terminate the lease of Anhui factory. The early termination of the lease resulted in a loss on disposal of certain plant and equipment amounting to approximately HK$4,296,000.

(c) The Group's production operation generates scraps or recyclable materials and assets which are available for sale and give rise to disposal gains/(losses).

7. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	2021	2020
	HK$'000	*HK$'000*
Cost of inventories (note 18)	**259,927**	111,371
Write-off and provision for impairment of inventories (note 18)	**305**	1,021
Auditor's remuneration	**880**	800
Depreciation charge:		
– Property, plant and equipment owned (note 14)	**9,041**	12,090
– Right-of-use assets (note 14)	**4,883**	7,386
Amortisation charge (note 15)	**1,375**	797
Employee benefit expense (including directors' emoluments) (note 8)	**56,037**	35,074
Expense relating to short-term leases	**2,443**	625
Research and development expenses	**17,475**	13,984

8. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2021	2020
	HK$'000	*HK$'000*
Wages and salaries	**61,464**	41,434
Bonus	**7,879**	4,260
Share-based compensation (note 29)	**2,699**	294
Pension costs – defined contribution scheme (note (a))	**4,962**	1,825
Others	**1,709**	1,747
	78,713	49,560
Less: Capitalised in inventories	**(5,222)**	(2,832)
Capitalised in construction-in-progress	**(4,536)**	(2,538)
Included in research and development expenses	**(12,918)**	(9,116)
	56,037	35,074

8. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

Notes:

(a) Pension costs – defined contribution scheme

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a monthly cap of HK$1,500 and thereafter contributions are voluntary.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering its full time PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

The employees of the subsidiary in Canada are members of the Canada Pension Plan operated by the Canadian government. The Group is required to contribute 5.5% of payroll costs to a retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The Group has no material obligation for post-retirement benefits beyond contributions to the above schemes.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director (2020: two directors) whose emoluments were reflected in the analysis presented in note 9. The emoluments paid to the remaining four (2020: three) individuals are as follows:

	2021 HK$'000	2020 HK$'000
Wages and salaries	4,492	1,472
Bonus	—	837
Share-based compensation	2,647	15
Pension costs – defined contribution scheme	100	38
	7,239	2,362

The emoluments of the remaining individuals fell within the following bands:

Emolument bands	Number of individuals	
	2021	2020
Nil – HK$1,000,000	—	3
HK$1,000,000 – HK$1,500,000	1	—
HK$1,500,001 – HK$2,000,000	2	—
HK$2,500,001 – HK$3,000,000	1	—

(c) During the year, no amounts were paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2020: Nil).

9. BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director and the chief executive officer for the years ended 31 December 2021 and 2020 is set out below:

	Emoluments paid or payable in respect of a person's services as a director/chief executive whether of the Company or its subsidiary undertaking					
	Fees *HK$'000*	Wages and salaries *HK$'000*	Bonus *HK$'000*	Share-based compensation *HK$'000*	Pension costs – Defined contribution scheme *HK$'000*	Total *HK$'000*
Year ended 31 December 2021						
Executive directors						
LI Pik Yung	180	729	1,812	30	18	2,769
NG Ngan Ho	—	314	—	—	6	320
Non-executive directors						
TUNG Ching Sai	—	—	—	—	—	—
LEE Shing Kan	—	—	—	—	—	—
Independent non-executive directors						
WANG Guisheng	180	—	—	—	—	180
NG Wai Hung	180	—	—	—	—	180
CHAN Hak Kan	180	—	—	—	—	180
Chief executive officer						
ZHA Xue Song (appointed on 26 February 2021)	—	2,374	—	262	38	2,674
	720	3,417	1,812	292	62	6,303

9. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

	Emoluments paid or payable in respect of a person's services as a director/chief executive whether of the Company or its subsidiary undertaking					
	Fees	Wages and salaries	Bonus	Share-based compensation	Pension costs – Defined contribution scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2020						
Executive directors						
LI Pik Yung	180	729	2,152	20	18	3,099
NG Ngan Ho (appointed on 16 May 2020)	—	687	236	—	11	934
CHAN Chi Leung (resigned on 16 May 2020)	68	316	—	—	7	391
Non-executive directors						
TUNG Ching Sai	—	—	—	—	—	—
LEE Shing Kan	—	—	—	—	—	—
Independent non-executive directors						
WANG Guisheng	180	—	—	—	—	180
NG Wai Hung	180	—	—	—	—	180
CHAN Hak Kan	180	—	—	—	—	180
Chief executive officer						
NG Ngan Ho	—	319	—	—	7	326
	788	2,051	2,388	20	43	5,290

9. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments

The remuneration shown above represents remuneration received from the Group by these directors and the chief executive in their capacities as employees of the Group.

During the year, none of the directors waived the remuneration and there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the year ended 31 December 2021 (2020: Nil).

(c) Directors' termination benefits

No payment was made to any directors as compensation for the early termination of the appointment during the year ended 31 December 2021 (2020: Nil).

(d) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of any directors for making available the services of them as a director of the Company during the year ended 31 December 2021 (2020: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2021 (2020: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Except for the transactions disclosed in note 32, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021 (2020: Nil).

10. FINANCE INCOME AND COSTS

	2021 *HK$'000*	2020 *HK$'000*
Finance income		
Interest income from bank deposits	**1,795**	4,385
Finance costs		
Interest on bank borrowings	**1,633**	97
Interest on lease liabilities (notes 14 and 22)	**250**	541
Less: amounts capitalised (note)	**(1,883)**	(638)
	—	—

Note:

The capitalisation rate of 2.33% (2020: 4.79%) used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year.

11. INCOME TAX EXPENSE

	2021 *HK$'000*	2020 *HK$'000*
Current income tax		
– Hong Kong profits tax (note (a))	**105**	495
– PRC corporate income tax (note (b))	**11,070**	2,561
– Canadian corporate income tax (note (c))	**1,255**	—
– PRC withholding tax (note (d))	**—**	475
	12,430	3,531
Deferred tax charge (note 24)	**8,204**	591
	20,634	4,122

11. INCOME TAX EXPENSE (CONTINUED)

Notes:

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

(b) One of the PRC subsidiaries, being qualified as a New and High Technology Enterprise, is entitled to a preferential corporate income tax rate of 15% (2020: 15%). Other subsidiaries of the Group in the PRC are subject to standard tax rate of 25% (2020: 25%). Provision for the PRC corporate income tax is calculated at 15% - 25% (2020: 15% - 25%) on estimated assessable profit for the year ended 31 December 2021.

(c) Canadian corporate income tax is provided on the estimated assessable profits for the period at the federal tax rate of 15% (2020: 15%) and provincial tax rates at rates prevailing in relevant provinces of 8% - 16% (2020: 11.5%) for the year ended 31 December 2021.

(d) PRC withholding tax represents tax charged by the PRC tax authority on dividends distributed by one of the Group's PRC subsidiaries for the year ended 31 December 2020.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to the Group as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Profit before income tax	**86,955**	24,207
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**21,544**	3,998
Tax effect of non-taxable income	**(901)**	(406)
Tax effect of non-deductible expenses	**3,120**	855
Tax effect of additional tax reduction enacted by tax authority	**(3,129)**	(3,034)
Tax effect of temporary differences not recognised	**—**	2,234
Effect of withholding tax at 5% on distributed profits of the Group's major PRC subsidiary	**—**	475
Income tax expense	**20,634**	4,122

12. 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 year which was adjusted to reflect the bonus element arising from the Rights Issue as set out in note 26 (2020: the weighted average number of ordinary shares in issue were represented to reflect the bonus element arising from the Rights Issue).

	2021	(Restated) 2020
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**62,629**	19,921
	('000)	*('000)*
Weighted average number of ordinary shares in issues	**660,165**	657,805
	HK Cents	*HK Cents*
Basic earnings per share	**9.49**	3.03

12. 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 year ended 31 December 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 annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above 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 year) 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 (2020: dilutive).

	2021	(Restated) 2020
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**62,629**	19,921
	('000)	*('000)*
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**660,165**	657,805
Adjustment for share options	**6,087**	8
	666,252	657,813
	HK Cents	*HK Cents*
Diluted earnings per share	**9.40**	3.03

13. DIVIDENDS

No final dividend was proposed during the year (2020: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Storage containers and structures HK$'000	Buildings HK$'000	Furniture and fixtures HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Right-of-use assets HK$'000	Construction-in-progress ("CIP") HK$'000	Total HK$'000
At 1 January 2020									
Cost	1,467	–	1,723	88,195	8,565	4,543	32,090	40,529	177,112
Accumulated depreciation	(483)	–	(1,014)	(18,611)	(5,210)	(2,958)	(8,355)	–	(36,631)
Net carrying amount	984	–	709	69,584	3,355	1,585	23,735	40,529	140,481
Year ended 31 December 2020									
Opening net carrying amount	984	–	709	69,584	3,355	1,585	23,735	40,529	140,481
Additions	–	–	26	–	–	55	4,502	65,888	70,471
Capitalisation of borrowing costs	–	–	–	–	–	–	–	638	638
Disposals	–	–	(3)	(147)	–	–	–	–	(150)
Transfer from CIP	–	–	21	5,808	–	–	–	(5,829)	–
Depreciation	(93)	–	(290)	(10,159)	(848)	(700)	(7,386)	–	(19,476)
Government subsidies net off	–	–	–	–	–	–	(765)	–	(765)
Exchange realignment	–	–	23	4,420	63	35	755	6,652	11,948
Closing net carrying amount	891	–	486	69,506	2,570	975	20,841	107,878	203,147
At 31 December 2020 and 1 January 2021									
Cost	**1,467**	**–**	**1,835**	**100,184**	**8,391**	**4,687**	**32,396**	**107,878**	**256,838**
Accumulated depreciation	**(576)**	**–**	**(1,349)**	**(30,678)**	**(5,821)**	**(3,712)**	**(11,555)**	**–**	**(53,691)**
Net carrying amount	**891**	**–**	**486**	**69,506**	**2,570**	**975**	**20,841**	**107,878**	**203,147**
Year ended 31 December 2021									
Opening net carrying amount	**891**	**–**	**486**	**69,506**	**2,570**	**975**	**20,841**	**107,878**	**203,147**
Additions	**–**	**7,108**	**1,004**	**4,573**	**1,274**	**231**	**7,510**	**159,424**	**181,124**
Capitalisation of borrowing costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,883**	**1,883**
Disposals	**–**	**–**	**(24)**	**(4,298)**	**(510)**	**(321)**	**(4,096)**	**–**	**(9,249)**
Transfer from CIP	**–**	**120,489**	**94**	**51,655**	**–**	**–**	**–**	**(172,238)**	**–**
Depreciation	**(66)**	**(1,751)**	**(271)**	**(5,756)**	**(740)**	**(457)**	**(4,883)**	**–**	**(13,924)**
Exchange realignment	**–**	**2,098**	**13**	**2,604**	**20**	**10**	**235**	**2,584**	**7,564**
Closing net carrying amount	**825**	**127,944**	**1,302**	**118,284**	**2,614**	**438**	**19,607**	**99,531**	**370,545**
At 31 December 2021									
Cost	**1,467**	**129,724**	**2,786**	**147,570**	**8,453**	**3,662**	**30,998**	**99,531**	**424,191**
Accumulated depreciation	**(642)**	**(1,780)**	**(1,484)**	**(29,286)**	**(5,839)**	**(3,224)**	**(11,391)**	**–**	**(53,646)**
Net carrying amount	**825**	**127,944**	**1,302**	**118,284**	**2,614**	**438**	**19,607**	**99,531**	**370,545**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charge of HK$10,045,000 (2020: HK$13,548,000) and HK$1,854,000 (2020: HK$1,388,000) have been charged in cost of revenue and administrative expenses for the year respectively and depreciation charge of HK$2,025,000 (2020: HK$4,540,000) has been capitalised in inventories for the year (note 18).

The analysis of the net carrying amount of right-of-use assets by class of underlying assets is as follows:

	Leasehold land *HK$'000*	**Land use rights** *HK$'000*	**Lease contracts** *HK$'000*	**Total** *HK$'000*
As at 1 January 2020	7,981	4,094	11,660	23,735
Additions	—	—	4,502	4,502
Depreciation	(301)	(156)	(6,929)	(7,386)
Government subsidies net off	—	(765)	—	(765)
Exchange realignment	—	493	262	755
As at 31 December 2020 and 1 January 2021	**7,680**	**3,666**	**9,495**	**20,841**
Additions	**—**	**—**	**7,510**	**7,510**
Depreciation	**(300)**	**(196)**	**(4,387)**	**(4,883)**
Disposals	**—**	**—**	**(4,096)**	**(4,096)**
Exchange realignment	**—**	**200**	**35**	**235**
As at 31 December 2021	**7,380**	**3,670**	**8,557**	**19,607**

	2021 *HK$'000*	2020 *HK$'000*
Interest on lease liabilities (note 10)	**250**	541
Expense relating to short-term leases	**2,443**	625

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 22 and 34(b) respectively.

15. INTANGIBLE ASSETS

	Patent HK$'000	Internal-use software HK$'000	Total HK$'000
At 1 January 2020			
Cost	—	3,981	3,981
Accumulated amortisation	—	(796)	(796)
Net carrying amount	—	3,185	3,185
Year ended 31 December 2020			
Opening net carrying amount	—	3,185	3,185
Amortisation	—	(797)	(797)
Exchange realignment	—	163	163
Closing net carrying amount	—	2,551	2,551
At 31 December 2020 and 1 January 2021			
Cost	**—**	**4,252**	**4,252**
Accumulated amortisation	**—**	**(1,701)**	**(1,701)**
Net carrying amount	**—**	**2,551**	**2,551**
Year ended 31 December 2021			
Opening net carrying amount	**—**	**2,551**	**2,551**
Injection by a non-controlling interest	**10,323**	**—**	**10,323**
Amortisation	**(516)**	**(859)**	**(1,375)**
Exchange realignment	**163**	**54**	**217**
Closing net carrying amount	**9,970**	**1,746**	**11,716**
At 31 December 2021			
Cost	**10,495**	**4,365**	**14,860**
Accumulated amortisation	**(525)**	**(2,619)**	**(3,144)**
Net carrying amount	**9,970**	**1,746**	**11,716**

Amortisation charge of HK$859,000 (2020: HK$797,000) and HK$516,000 (2020: Nil) have been charged in cost of revenue and administrative expenses for the year respectively.

16. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 *HK$'000*	2020 *HK$'000*
As at 1 January	**15,712**	13,448
Gain recognised in other comprehensive income	**6,998**	1,264
Exchange realignment	**534**	1,000
As at 31 December	**23,244**	15,712

The Group has classified its 18% equity interest of an unlisted company as financial asset at FVOCI. The entity has a wind farm in the PRC with grid-connection and is controlled by Xinyi Glass Holdings Limited ("Xinyi Glass"), a related party. Details about the methods and assumptions used in determining fair value of the equity interest are set out in note 33(d).

17. INTERESTS IN AN ASSOCIATE

	2021 *HK$'000*	2020 *HK$'000*
At 1 January	**—**	—
Addition to interest in an associate	**312**	—
Share of results of an associate	**(4)**	—
As at 31 December	**308**	—

Details of the Group's associate are as follows:

Name	**Place of incorporation, operation and principal activity**	**Percentage of ownership interests/ voting rights/ profit share**
XSD Union Solar Tech Limited ("XSD Solar")	Incorporated in Hong Kong, Provision of solar power systems	40%

17. INTERESTS IN AN ASSOCIATE (CONTINUED)

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

	2021 HK$'000	2020 HK$'000
As at 31 December		
Current assets	778	—
Current liabilities	(9)	—
Net assets	769	—
Group's share of net assets of the associate	308	—
Year ended 31 December		
Revenue	—	—
Expense	(11)	—
Loss before income tax	(11)	—
Income tax expense	—	—
Loss for the year	(11)	—

18. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	79,751	4,145
Work in progress	8,408	6,957
Finished goods	83,941	24,282
Other consumables	8,917	533
	181,017	35,917
Less: Provision for impairment of inventories	(1,000)	(1,000)
As at 31 December	180,017	34,917

The cost of inventories recognised as expense and included in cost of revenue amounted to HK$259,927,000 (2020: HK$111,371,000) for the year (note 7).

The write-off and provision for impairment of inventories included in cost of revenue amounted to HK$305,000 (2020: HK$1,021,000) (note 7).

19. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Finance lease – gross receivables	**77,216**	—
Less: unearned finance income	**(19,816)**	—
Present value of minimum lease payments (note (a))	**57,400**	—
Less: Loss allowance	**(224)**	—
	57,176	—
Trade receivables (note (b))		
– Third parties	**72,496**	78,440
– Related companies (note 32(d))	**11,590**	2,868
	84,086	81,308
Less: Loss allowance	**(1,273)**	(906)
	82,813	80,402
Contract assets	**201,691**	2,552
Less: Loss allowance	**(138)**	—
	201,553	2,552
Bills receivables (note (c))	**7,491**	22,298
Prepayments	**53,472**	25,034
Value-added tax recoverable	**14,256**	8,193
Deposits and other receivables	**4,798**	7,219
	421,559	145,698
Less: Non-current portion:		
Trade receivables	**(7,456)**	(11,763)
Finance lease receivables	**(53,763)**	—
Prepayments for property, plant and equipment	**(8,308)**	(18,613)
Current portion	**352,032**	115,322

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

Notes:

(a) Finance lease receivables

The analysis of finance lease receivables, determined based on the schedule to repay the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period, is as follows:

Finance lease — gross receivables	**2021** ***HK$'000***	2020 *HK$'000*
Current	**6,471**	—
Non-current	**70,745**	—
	77,216	—
The gross receivables of finance leases may be analysed as follows:		
- Not later than 1 year	**6,471**	—
- Later than 1 year but not later than 5 years	**25,883**	—
- Later than 5 years	**44,862**	—
	77,216	—

Present value of minimum lease payments	**2021** ***HK$'000***	2020 *HK$'000*
Current	**3,413**	—
Non-current	**53,763**	—
	57,176	—
The net investment in finance leases may be analysed as follows:		
- Not later than 1 year	**3,413**	—
- Later than 1 year but not later than 5 years	**16,488**	—
- Later than 5 years	**37,275**	—
	57,176	—

The effective interests in respect of above finance lease contracts ranged mainly from 5.00% to 5.99% per annum as at 31 December 2021.

Details of impairment assessment of finance lease receivables for the year ended 31 December 2021 are set out in note 33(b).

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

Notes: (Continued)

(b) Trade receivables

Majority of credit period granted by the Group to its customers is 30 to 90 days (2020: 30 to 90 days), except certain customers in the PRC 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:

	2021 HK$'000	2020 HK$'000
0 – 90 days	**50,530**	63,201
91 – 180 days	**6,635**	3,235
181 – 365 days	**4,803**	4,256
Over 365 days	**20,845**	9,710
	82,813	80,402

Details of impairment assessment of trade receivables for the year ended 31 December 2021 are set out in note 33(b).

(c) Bills receivables

The maturity dates of bills receivables are within 12 months (2020: 12 months).

(d) The carrying amounts of the Group's contract assets, trade and other receivables and prepayments are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	**6,658**	5,259
Chinese Renminbi ("RMB")	**306,474**	139,354
Canadian Dollar ("CAD")	**108,427**	1,085
	421,559	145,698

20. CASH AND BANK BALANCES

	2021 HK$'000	2020 HK$'000
Cash at banks	**433,013**	152,817
Cash on hand	**141**	113
Cash and cash equivalents	**433,154**	152,930
Pledged bank deposits (note (a))	**7,054**	—
Total cash and bank balances	**440,208**	152,930

Notes:

(a) Pledged bank deposits represents deposits pledged to banks to secure for the Group's bills payables (note 21). There were no pledged bank deposits as at 31 December 2020.

(b) Cash and bank balances are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$	**238,069**	12,270
RMB	**148,589**	139,320
United States Dollar ("US$")	**3,525**	4
CAD	**50,025**	1,336
	440,208	152,930

(c) As at 31 December 2021, the Group had cash and bank balances amounting to approximately HK$151,235,000 (2020: HK$139,471,000), which was held at the banks in the PRC. These cash and bank balances are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

21. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables (note (a))		
– Third parties	**248,991**	35,858
– Related companies (note 32(d))	**3,432**	664
	252,423	36,522
Bills payables (note (b))	**35,272**	—
Contract liabilities (note (c))	**21,972**	6,097
Accrued salaries and bonus	**17,483**	13,654
Other payables for purchase of property, plant and equipment	**51,338**	15,210
Other creditors and accruals	**8,987**	4,261
Value-added tax payable	**17,398**	1,332
Retention payables for disposal of old facilities or scraps	**—**	1,191
Deferred revenue in respect of a government grant	**9,785**	9,532
	414,658	87,799

Notes:

(a) Trade payables

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

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**239,734**	31,577
31 – 90 days	**3,803**	2,940
91 – 180 days	**457**	1,817
Over 180 days	**8,429**	188
	252,423	36,522

(b) Bills payables

The maturity dates of bills payables are within 6 months.

The Group's bills payables were pledged by certain bank deposits of the Group (note 20).

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

Notes: (Continued)

(c) Contract liabilities

As at 31 December 2021, the contract liabilities are receipt in advance that are related to sales of electric storage products, trading of forklifts and EPC Services not yet delivered or rendered to customers.

Revenue totalled approximately HK$6,145,000 (2020: HK$1,710,000) was recognised in current reporting period that was included in the contract liabilities balances at the beginning of the year. Movement in contract liabilities during the years is shown as follows:

	2021 **HK$'000**	2020 HK$'000
Balance as at 1 January	**6,097**	1,708
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(6,145)**	(1,710)
Increase in contract liabilities as a result of receiving payments during the year in respect of sales of electric storage products as well as trading of forklifts not yet delivered to customers as at 31 December	**3,217**	5,147
Increase in contract liabilities as a result of receiving payments during the year in respect of provision of EPC Services	**18,604**	950
Exchange realignment	**199**	2
Balance as at 31 December	**21,972**	6,097

Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations as of 31 December 2021 will be recognised as revenue during the next reporting period.

(d) The carrying amounts of contract liabilities, trade and other payables are denominated in the following currencies:

	2021 **HK$'000**	2020 HK$'000
HK$	**8,331**	8,224
CAD	**6,691**	—
RMB	**399,636**	79,575
	414,658	87,799

22. LEASE LIABILITIES

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

The present value of future lease payments of the Group's leases is analysed as:

	2021 ***HK$'000***	2020 *HK$'000*
Current	**5,564**	6,115
Non-current	**3,139**	3,775
	8,703	9,890

Movement of the Group's leases liabilities is analysed as follows:

	2021 ***HK$'000***	2020 *HK$'000*
As at 1 January	**9,890**	11,792
Additions	**7,510**	4,502
Interest expenses	**250**	541
Interest element of lease payment	**(250)**	(541)
Capital element of lease payment	**(4,339)**	(5,544)
Disposals	**(4,397)**	—
COVID-19-related rent concessions (note)	**—**	(1,242)
Exchange realignment	**39**	382
As at 31 December	**8,703**	9,890

Note:

For the year ended 31 December 2020, the Group received rent concessions in the form of rent forgiveness from lessors as reductions in rent contractually due under the terms of lease agreement. The Group elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year ended 31 December 2020 satisfied the criteria to apply the practical expedient. The application of the practical expedient resulted in the reduction of total lease liabilities of HK$1,242,000. The effect of this reduction was recorded in profit or loss in the period in which the event or condition that triggered those payments occurs.

22. LEASE LIABILITIES (CONTINUED)

The future lease payments of the Group's leases (excluding short-term leases) were scheduled to repay as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
As at 31 December 2021			
Not later than one year	**5,788**	**(224)**	**5,564**
Later than one year but not later than five years	**3,219**	**(80)**	**3,139**
	9,007	**(304)**	**8,703**
As at 31 December 2020			
Not later than one year	6,424	(309)	6,115
Later than one year but not later than five years	3,845	(70)	3,775
	10,269	(379)	9,890

23. BANK BORROWINGS

As at 31 December 2021, the Group's bank borrowings are repayable as follows:

	2021 HK$'000	2020 HK$'000
On demand or within one year	**105,000**	8,000
In the second year	**68,512**	—
In the third to fifth years	**53,831**	—
Wholly repayable within five years	**227,343**	8,000
Less: portion due on demand or within one year under current liabilities	**(105,000)**	(8,000)
Portion due over one year under non-current liabilities	**122,343**	—

23. BANK BORROWINGS (CONTINUED)

At 31 December 2021, the carrying amounts of the borrowings are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK$-denominated borrowings	**105,000**	8,000
CAD-denominated borrowings	**122,343**	—
	227,343	8,000

As at 31 December 2021, the Group had HK$-denominated revolving loan facilities totalling HK$110,000,000 and a CAD-denominated term loan and guarantee facilities of CAD35,000,000 (equivalent to approximately HK$214,101,000), out of which approximately HK$5,000,000 and CAD15,000,000 (equivalent to approximately HK$91,758,000) were not utilised. The bank borrowings were carried at floating rates ranged from 1.7% to 2.0% per annum (2020: 1.9% per annum).

As at 31 December 2021, the Group's bank borrowings were secured by corporate guarantees given by the Company.

24. DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities is as follows:

	2021 HK$'000	2020 HK$'000
Deferred tax assets to be recovered after more than 12 months	**1,311**	2,288
Deferred tax liabilities to be settled after more than 12 months	**(10,584)**	(2,361)
Deferred tax liabilities, net	**(9,273)**	(73)

The net movement on the deferred tax account is as follows:

	2021 HK$'000	2020 HK$'000
As at 1 January	**(73)**	746
Charged to profit or loss (note 11)	**(8,204)**	(591)
Charged to other comprehensive income	**(1,050)**	(190)
Exchange realignment	**54**	(38)
As at 31 December	**(9,273)**	(73)

24. DEFERRED INCOME TAX (CONTINUED)

The movement in deferred tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provision HK$'000	Decelerated tax depreciation HK$'000	Total HK$'000
As at 1 January 2020	2,321	569	2,890
Charged to profit or loss	(711)	—	(711)
Exchange realignment	70	39	109
At 31 December 2020 and 1 January 2021	**1,680**	**608**	**2,288**
Charged to profit or loss	**(1,004)**	**—**	**(1,004)**
Exchange realignment	**11**	**16**	**27**
As at 31 December 2021	**687**	**624**	**1,311**

Deferred tax assets are recognised for tax loss carried forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of approximately HK$2,461,000 (2020: HK$1,235,000) in respect of tax losses amounting to approximately HK$9,843,000 (2020: HK$4,942,000) at 31 December 2021 that can be carried forward against future taxable income. These tax losses will expire between 2022 and 2026 (2020: expire between 2022 and 2025).

24. DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets (Continued)

The movement in deferred tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Accelerated tax depreciation *HK$'000*	Finance lease income *HK$'000*	Accumulated gains on a financial asset at FVOCI *HK$'000*	Total *HK$'000*
As at 1 January 2020	(525)	—	(1,619)	(2,144)
Credited to profit or loss	120	—	—	120
Charged to other comprehensive income	—	—	(190)	(190)
Exchange realignment	(24)	—	(123)	(147)
At 31 December 2020 and 1 January 2021	**(429)**	**—**	**(1,932)**	**(2,361)**
Credited/(charged) to profit or loss	**357**	**(7,557)**	**—**	**(7,200)**
Charged to other comprehensive income	**—**	**—**	**(1,050)**	**(1,050)**
Exchange realignment	**(3)**	**98**	**(68)**	**27**
As at 31 December 2021	**(75)**	**(7,459)**	**(3,050)**	**(10,584)**

Deferred tax liabilities of HK$7,066,000 (2020: HK$4,405,000) have not been recognised for withholding tax that would be payable on the undistributed distributable reserves amounting to HK$141,319,000 (2020: HK$88,092,000) of the Company's subsidiaries in the PRC earned after 1 January 2008 using a 5% (2020: 5%) withholding tax rate. Such amounts are not intended to be distributed in the foreseeable future to the group companies outside of the PRC.

25. SHARE CAPITAL

	2021		2020	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000,000,000**	**20,000,000**	2,000,000,000,000	20,000,000
Issued and fully paid:				
As at 1 January	**648,218,651.38**	**6,482**	648,135,553.38	6,481
Issue of new ordinary shares by rights issue (note 26)	**64,845,744**	**649**	—	—
Issue of ordinary shares upon exercise of share options (note 29)	**238,793**	**2**	83,098	1
As at 31 December	**713,303,188.38**	**7,133**	648,218,651.38	6,482

26. RIGHTS ISSUE

The Group raised a total gross proceeds of approximately HK$228.11 million on the basis of one (1) rights share ("Rights Share(s)") for every ten (10) ordinary shares of the Company ("Share(s)") held on 22 November 2021 (i.e. the record date) by issuing 64,845,744 Rights Shares at the subscription price of HK$3.53 per Rights Share to the qualified shareholders of the Company (the "Rights Issue"). The number of Shares increased to 713,303,188.38 after the Rights Issue.

27. OTHER RESERVES

(a) Capital reserves

On 7 December 2015, it was agreed with Xinyi Glass that two-third and one-third of the listing expenses of the Group were borne by Xinyi Glass and the Company, respectively. Upon payment of these expenses in 2015 and 2016 by Xinyi Glass, a capital contribution from Xinyi Glass were recorded in the Company's equity.

(b) Share premium

Share premium of the Company is available for distributions or paying dividends to the shareholders, according to the provisions of the Articles of Association and the Companies Law of the Cayman Islands. When the Company issues shares, excess of net proceeds received over the par value of the shares are credited to the share premium.

(c) Statutory reserves

The PRC companies are required to allocate 10% of the companies' retained profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

During the year ended 31 December 2021, the respective board of directors of certain PRC subsidiaries of the Group resolved to appropriate approximately HK$4,461,000 (2020: HK$2,062,000) from retained profits to statutory reserves.

28. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		**69,873**	67,175
Current assets			
Prepayments and deposits		**270**	255
Amounts due from subsidiaries		**245,799**	246,495
Cash and cash equivalents		**229,629**	2,748
		475,698	249,498
Current liabilities			
Other payables and accruals		**1,575**	1,047
Net current assets		**474,123**	248,451
Net assets		**543,996**	315,626
EQUITY			
Share capital	25	**7,133**	6,482
Reserves (note)		**536,863**	309,144
Total equity		**543,996**	315,626

28. THE COMPANY'S STATEMENT OF FINANCIAL POSITION (CONTINUED)

Note:

	Share premium HK$'000	Capital reserves HK$'000	Share-based payments reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2020	300,581	13,487	287	(3,530)	310,825
Loss and total comprehensive income for the year	—	—	—	(2,138)	(2,138)
Transactions with owners					
Employees share option scheme:					
– proceed from issue of shares	163	—	—	—	163
– share-based payment expense	—	—	294	—	294
At 31 December 2020 and 1 January 2021	**300,744**	**13,487**	**581**	**(5,668)**	**309,144**
Loss and total comprehensive income for the year	**—**	**—**	**—**	**(2,799)**	**(2,799)**
Transactions with owners					
Rights Issue (note 26)	**227,457**	**—**	**—**	**—**	**227,457**
Employees share option scheme:					
– proceed from issue of shares	**569**	**—**	**(139)**	**—**	**430**
– share-based payment expense	**—**	**—**	**2,699**	**—**	**2,699**
– adjustment relating to forfeiture of share options	**—**	**—**	**(68)**	**—**	**(68)**
At 31 December 2021	**528,770**	**13,487**	**3,073**	**(8,467)**	**536,863**

29. SHARE-BASED PAYMENTS

Share option scheme established in 2017

In May 2017, the Company adopted a share option scheme ("Share Option Scheme 2017") which will be valid for a period of ten years from the date of adoption of the scheme. Under the Share Option Scheme 2017, the Company's directors may, at their sole discretion, grant options to any employee of the Group subscribe for shares of the Company at the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average official closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

29. SHARE-BASED PAYMENTS (CONTINUED)

Share option scheme established in 2017 (Continued)

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme 2017 and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares in issue on the adoption date, the date on which the Share Option Scheme 2017 becomes unconditional upon fulfillment of the conditions of (i) passing by the shareholders of an ordinary resolution at the Annual General Meeting to approve the adoption of the share option scheme; and (ii) the Listing Department of the Stock Exchange granting the approval for the listing of, and permission to deal in, the shares to be issued pursuant to the exercise of any share options which may be granted under the share option scheme, unless the Company obtains further approval from the shareholders.

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme 2017 and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time. Grant of options to directors, chief executives or substantial shareholders must be approved by the independent non-executive directors of the Company.

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

	2021		2020	
	Average exercise price in HK$ per share	**Options (unit)**	Average exercise price in HK$ per share	Options (unit)
As at 1 January	**1.97**	**11,766,982**	1.51	1,229,301
Granted	**4.80**	**1,590,000**	2.01	10,858,000
Exercised	**1.81**	**(238,793)**	1.52	(83,098)
Forfeited	**2.09**	**(255,223)**	1.64	(237,221)
Adjustment upon the Rights Issue	**2.29**	**193,659**	—	—
As at 31 December	**2.28**	**13,056,625**	1.97	11,766,982

On 1 August 2017, 312,000 share options (before the rights issue completed in May 2018) were granted to the then chief executive officer of the Company, two executive directors of the Company and certain employees of the Group. The exercise price is HK$1.56 per share (before adjustment upon the rights issue completed in May 2018), 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 1 August 2017 to 31 July 2021. One-third of the options will vest on each of the year-end date of 2017, 2018 and 2019 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2020 to 31 March 2021.

29. SHARE-BASED PAYMENTS (CONTINUED)

Share option scheme established in 2017 (Continued)

On 13 August 2018, 684,000 share options (before the Rights Issue) were granted to the then chief executive officer of the Company, two executive directors of the Company and certain employees of the Group. The exercise price is HK$1.95 per share (before adjustment upon the Rights Issue), 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 13 August 2018 to 31 March 2022. One third of the options will vest on each of the year-end date of 2018, 2019 and 2020 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2021 to 31 March 2022.

On 3 September 2019, 567,000 share options (before the Rights Issue) were granted to two executive directors of the Company and certain employees of the Group. The exercise price is HK$1.17 per share (before adjustment upon the Rights Issue), which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 3 September 2019 to 31 March 2023. One third of the options will vest on each of the year-end date of 2019, 2020 and 2021 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2022 to 31 March 2023.

On 24 August 2020, 558,000 share options (before the Rights Issue) were granted to an executive director of the Company and certain employees of the Group. The exercise price is HK$1.40 per share (before adjustment upon the Rights Issue), which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 24 August 2020 to 31 March 2024. One third of the options will vest on each of the year-end date of 2020, 2021 and 2022 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2023 to 31 March 2024.

On 18 December 2020, 10,300,000 share options (before the Rights Issue) were granted to certain employees of the Group. The exercise price is HK$2.04 per share (before adjustment upon the Rights Issue), which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 18 December 2020 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.

On 11 May 2021, 1,590,000 share options (before the Rights Issue) were granted to an executive director of the Company, the chief executive officer of the Company and certain employees of the Group. The exercise price is HK$4.80 per share (before adjustment upon the Rights Issue), which is equal to the average official closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the day of the offer of the 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.

29. SHARE-BASED PAYMENTS (CONTINUED)

Share option scheme established in 2017 (Continued)

Out of the above outstanding share options, 116,985 options were exercisable as at 31 December 2021 (2020: 86,382 options).

These outstanding share options as at 31 December 2021 have the following expiry dates and exercise prices:

Expiry date	**Average exercise price in HK$ per share**	**2021 Units#**	Average exercise price in HK$ per share	2020 Units
31 March 2021	**N/A**	**—**	1.52	86,382
31 March 2022	**1.92**	**116,985**	1.92	322,600
31 March 2023	**1.15**	**447,568**	1.15	506,000
31 March 2024	**1.38**	**473,651**	1.38	552,000
31 March 2025	**2.37**	**12,018,421**	2.37	10,300,000
		13,056,625		11,766,982

\# The number of outstanding shares options and average exercise price per share option as at 31 December 2021 have been adjusted upon the Rights Issue.

The weighted average fair values of these options granted on 11 May 2021 were determined using the Binominal Tree valuation model, which were performed by an independent valuer, Greater China Appraisal Limited, and were approximately HK$1.67 (2020: HK$0.65 and HK$0.33) per option (before adjustment upon the Rights Issue) respectively. The significant inputs into the model are as follows:

Grant date	**11 May 2021**	18 December 2020	24 August 2020
Closing share price, at the grant date (before the Rights Issue) (HK$)	**4.45**	2.04	1.40
Exercise price (before the Rights Issue) (HK$)	**4.80**	2.04	1.40
Volatility (%)	**52.55%**	39.82%	31.50%
Dividend yield (%)	**0.00%**	0.00%	0.00%
Expected share option life (years)	**3.89**	4.28	3.60
Annual risk-free interest rate	**0.41%**	0.25%	0.19%

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.

For the year ended 31 December 2021, share-based compensation expense of HK$2,699,000 (2020: HK$294,000) were recognised in the profit or loss for share options granted under the Share Option Scheme 2017 to the directors and employees of the Group.

30. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2021 are as follows:

Company name	Place of incorporation/ registration and kind of legal entity	Particulars of issued and paid-up share capital	Effective equity interest held by the Company		Principal activities/ Place of operation
			2021	2020	
Indirectly owned					
Xinyi Automobile Glass Company Limited	Hong Kong, limited liability company	Ordinary share of HK$100,000	**100%**	100%	Automobile glass repair and replacement services, Hong Kong
Champion Goal Investments Limited	Hong Kong, limited liability company	Ordinary share of HK$1	**100%**	100%	Investment holding, Hong Kong
Auhui Xinyi Power Source Company Limited* (安徽信義電源有限公司)	The PRC, sino-foreign equity joint ventures	RMB50,000,000	**100%**	100%	Research, production and sales of electric storage products, trading of forklift and investment holding, the PRC
Xinyi Energy Storage Micro-grid Research Institute (Dongguan) Company Limited* (信義儲能微電網研究院(東莞)有限公司)	The PRC, limited liability company	RMB1,800,000	**100%**	100%	Energy storage system development, the PRC
Wuwei Xinyi Wind Power Company Limited* (無為信義風能有限公司)	The PRC, wholly foreign owned enterprise	RMB50,000	**100%**	100%	Wind power facility development, the PRC
Mengcheng Xinyi Wind Power Company Limited* (蒙城信義風能有限公司)	The PRC, wholly foreign owned enterprise	Registered RMB50,000 & no paid up capital	**100%**	100%	Wind power facility development, the PRC
Xinyi Power (Suzhou) Company Limited* (信義電源(蘇州)有限公司)	The PRC, wholly foreign owned enterprise	HK$288,161,358 (2020: HK$206,000,000)	**100%**	100%	Research, production and sales of electric storage products, provision of EPC Services and trading of forklift, the PRC
Xinyi Energy Investment (Suzhou) Company Limited* (信義能源投資(蘇州)有限公司)	The PRC, wholly foreign owned enterprise	HK$35,500,000	**100%**	100%	Investment holding, the PRC
Xinyi Electric Storage (Shenzhen) Co. Ltd* (信義儲電(深圳)有限公司)**	The PRC, wholly foreign owned enterprise	Registered RMB30,000,000 & paid up capital of RMB16,600,000	**68%**	—	Research and sales of electric storage products, the PRC
Polaron Energy Corp.	Canada, limited liability company	CAD1,000	**68%**	68%	Provision of solar power systems, Canada

* The official names of the above entities are in Chinese. English translations are for reference only.

** The Company was registered on 14 May 2021

31. COMMITMENTS

Capital commitments

The capital expenditure contracted but no yet incurred is as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Contracted but not provided for in respect of		
– Construction of production plant and purchase of construction materials/property, plant and equipment	**39,706**	107,129

32. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

As at 31 December 2021, the Group is controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M,. J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung acting in concert, (collectively as the "controlling shareholders") which in aggregate owns 71.21% (2020: 70.21%) of the Company's shares.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business, and balances arising from related party transactions.

(a) Name and relationship with related parties

Name of related parties	**Relationship with the Company**
Xinyi Glass	Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* is a common controlling shareholder of Xinyi Glass
Xinyi Solar Holdings Limited ("Xinyi Solar")	Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.* is a common controlling shareholder of Xinyi Solar
Mr. LEE Shing Kan ("Mr. LEE")	Non-executive director of the Company
Mr. TUNG Fong Ngai	Close family member of one of the controlling shareholders of the Company

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	2021 HK$'000	2020 HK$'000
Purchase of automobile glass from subsidiaries of Xinyi Glass (note (i))	**6,321**	5,263
Purchase of other glasses from subsidiaries of Xinyi Glass (note (i))	**23**	715
Purchase of consumables from subsidiaries of Xinyi Glass (note (i))	**478**	1,163
Sales of forklift battery chargers to subsidiaries of Xinyi Glass (note (i))	**251**	395
Sales of and provision of contract processing services for electric storage products to subsidiaries of Xinyi Glass (note (i))	**5,867**	1,289
Sales of forklift battery chargers to subsidiaries of Xinyi Solar (note (i))	**507**	481
Sales of and provision of contract processing services for electric storage products to subsidiaries of Xinyi Solar (note (i))	**202**	700
Management fee received from a subsidiary of Xinyi Glass (note (ii))	**9,647**	2,650
Operating lease payments in respect of office premises paid to subsidiaries of Xinyi Glass (note (i))	**316**	302
Operating lease payments in respect of shop premises paid to Mr. LEE and Mr. TUNG Fong Ngai (note (i))	**540**	450
Operating lease payments in respect of office premises received from an entity controlled by a controlling party (note (i))	**21**	78
Electricity expenses paid to subsidiaries of Xinyi Solar (note (i))	**226**	1,369
Purchase of steam from a subsidiary of Xinyi Glass (note (i))	**2,252**	—
Operating lease income in respect of office premises received from a subsidiary of Xinyi Glass (note (i))	**751**	—
Operating lease income in respect of office premises received from a subsidiary of Xinyi Solar (note (i))	**55**	—
Operating and maintenance fee income received from a subsidiary of Xinyi Solar (note (i))	**2,040**	—
Sales of consumables to subsidiaries of Xinyi Glass (note (i))	**50**	—
Sales of consumables to subsidiaries of Xinyi Solar (note (i))	**6**	—
Sales of consumables to an entity controlled by a controlling party (note (i))	**20**	—

Notes:

(i) Purchase of automobile glass, other glasses, steam and consumables, sales of forklift battery chargers and consumables, sales of and provision of contract processing services for electric storage products, operating and maintenance fee income, operating lease income and payments and electricity expenses are paid/received with price and terms mutually agreed with related parties.

(ii) Management fee represented service fee of managing wind farm in the PRC, which is mutually agreed with a subsidiary of Xinyi Glass.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) *Key management compensations*

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	2021	2020
	HK$'000	*HK$'000*
Wages and salaries	**4,881**	3,439
Bonus	**1,874**	2,784
Share-based compensation	**341**	21
Pension costs – defined contribution scheme	**80**	57
	7,176	6,301

(d) *Amounts due from/(to) related parties*

	2021	2020
	HK$'000	*HK$'000*
Trade		
Trade receivables due from subsidiaries of Xinyi Glass	**9,582**	2,398
Trade receivables due from subsidiaries of Xinyi Solar	**2,008**	470
Trade payables due to subsidiaries of Xinyi Glass	**(3,432)**	(664)
Contract liabilities due to subsidiaries of Xinyi Solar	**(2,090)**	—
Non-trade		
Other receivables due from a subsidiary of Xinyi Glass	**81**	—

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

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

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Foreign exchange risk

The Group mainly operates in Hong Kong, the PRC and Canada with majority of the transactions settled in HK$, RMB and CAD respectively. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities and net investments of foreign operations denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to translation of assets or liabilities denominated in currencies other than the entity's functional currency.

As at 31 December 2021, a bank borrowing held by a Hong Kong subsidiary, whose functional currency is HK$, were denominated in CAD ("CAD-denominated bank borrowing). If HK$ has weakened/strengthened by 5% against CAD, with all other variables held constant, the profit before tax for the year would have been approximately HK$6,117,000 (2020: N/A) lower/higher, mainly as a result of foreign exchange losses/gains on translation of CAD-denominated bank borrowings.

Other than the CAD-denominated bank borrowings, no material foreign currency risk has been identified for other monetary assets and liabilities in subsidiaries in Hong Kong, the PRC and Canada respectively as they were largely denominated in a currency same as the functional currency of the group entity to which these transactions relate.

The Group has not entered into any derivative instruments to hedge the foreign exchange exposure, however, the management continuously monitors foreign exchange exposure and will consider hedging significant foreign exchange should the need arise.

(b) Credit risk

The Group's credit risk arises from cash at banks and contract assets, finance lease receivables and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Contract assets, finance lease receivables and trade and other receivables (excluding prepayments and value-added tax recoverable) (note 19)	**353,831**	112,471
Pledged bank deposits (note 20)	**7,054**	—
Cash at banks (note 20)	**433,013**	152,817
Maximum exposure to credit risk	**793,898**	265,288

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) Credit risk (Continued)

As at 31 December 2021, all the bank deposits were deposited with reputable banks in Hong Kong, the PRC and Canada. The credit quality of cash and bank balances has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

In respect of the contract assets, finance lease receivables and trade and other receivables, the Group has policies in place to ensure that the sales of products and provision of services are made to customers with appropriate credit history and the Group performs credit evaluations of its customers.

The credit period of the majority of the Group's trade receivables is due within 30 to 90 days and largely comprises amounts receivable from corporate customers. The credit period of the Group's finance lease receivables is mainly due for a lease period of 12 years and comprises amounts receivable from individual customers.

As at 31 December 2021, receivables from the top five customers accounted for approximately 19% (2020: 62%) of the Group's trade receivables and finance lease receivables. In order to minimise the credit risk, the management of the Group has delegated different teams of respective business responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts for trade receivables.

In respect of the contract assets and trade receivables, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets and trade receivables. In respect of the finance lease receivables, loss allowance for these balances is measured at an amount equal to 12-month ECLs.

The Group categorises its contract assets and trade receivables, except those individually assessed, based on geographical location and the days past due to measure the expected credit losses. The expected loss rates are based on the payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For finance lease receivables and trade receivables relating to accounts which are long overdue with known insolvencies or non-response to collection activities, if any, they are assessed individually for loss allowance. Accordingly, no specific loss allowance was made during the year ended 31 December 2021 (2020: Nil).

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(b) *Credit risk (Continued)*

The following tables provide information about the Group's exposure to credit risk and ECLs for contract assets, finance lease receivables and trade receivables according to their past due dates:

	Current	1 – 90 days	91 – 180 days	181 – 365 days	Over 365 days	Total
As at 31 December 2021						
Expected loss rate (%)	**0.16%**	**0.31%**	**0.42%**	**1.81%**	**70.28%**	
Gross carrying amount (HK$'000)	**315,308**	**21,059**	**4,513**	**830**	**1,467**	**343,177**
Loss allowance (HK$'000)	**506**	**64**	**19**	**15**	**1,031**	**1,635**
As at 31 December 2020						
Expected loss rate (%)	0%	0%	0%	0%	100%	
Gross carrying amount (HK$'000)	76,276	3,217	3,105	356	906	83,860
Loss allowance (HK$'000)	—	—	—	—	906	906

The closing loss allowance for contract assets, finance lease receivables and trade receivables as at 31 December 2021 reconcile to the opening loss allowance is as follows:

	2021 *HK$'000*	2020 *HK$'000*
Opening loss allowance as at 1 January	**906**	431
Increase in loss allowance recognised in profit or loss during the year	**702**	416
Exchange realignment	**27**	59
Closing loss allowance as at 31 December	**1,635**	906

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

Impairment losses on other financial assets at amortised cost are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Due to the nature of the underlying businesses, the Group's management responsible for treasury function aims to maintain flexibility in funding by keeping sufficient cash and committed banking facilities available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	On demand or within one year *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*
As at 31 December 2021					
Trade payables	**252,423**	**252,423**	**252,423**	**—**	**—**
Bills payables	**35,272**	**35,272**	**35,272**	**—**	**—**
Accrued salaries and bonus	**17,483**	**17,483**	**17,483**	**—**	**—**
Other payables for purchase of property, plant and equipment	**51,338**	**51,338**	**51,338**	**—**	**—**
Other creditors and accruals	**8,987**	**8,987**	**8,987**	**—**	**—**
Bank borrowings	**227,343**	**230,972**	**107,101**	**69,829**	**54,042**
Lease liabilities	**8,703**	**9,007**	**5,788**	**2,742**	**477**
	601,549	**605,482**	**478,392**	**72,571**	**54,519**
As at 31 December 2020					
Trade payables	36,522	36,522	36,522	—	—
Accrued salaries and bonus	13,654	13,654	13,654	—	—
Other payables for purchase of property, plant and equipment	15,210	15,210	15,210	—	—
Other creditors and accruals	4,261	4,261	4,261	—	—
Retention payables for disposal of old facilities or scraps	1,191	1,191	1,191	—	—
Bank borrowings	8,000	8,000	8,000	—	—
Lease liabilities	9,890	10,269	6,424	3,845	—
	88,728	89,107	85,262	3,845	—

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(d) Fair value measurement

The Group followed HKFRS 7 Financial Instruments: Disclosures which introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The following table presents financial assets and liabilities measured at fair value in the 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.

The financial assets measured at fair value in the 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 31 December 2021				
Financial asset at FVOCI	**—**	**—**	**23,244**	**23,244**
As at 31 December 2020				
Financial asset at FVOCI	—	—	15,712	15,712

As at 31 December 2021 and 2020, instruments included in level 3 represent unlisted equity interest, which was classified as financial asset at FVOCI.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(d) Fair value measurement (Continued)

The fair value of the unlisted equity interest classified as financial asset at FVOCI is determined using discounted cash flows approach. The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Valuation technique	Significant unobservable inputs	Range of inputs	Favourable/(Unfavourable) change to the fair value 2021 HK$'000	2020 HK$'000
Discounted cash flows approach (note)	Electricity outputs	+/-5%	**2,356/(1,727)**	799/(800)
	Operating expenses	+/-5%	**(193)/193**	(12)/12
	Discount rate	+/-1%	**(283)/285**	(308)/310

Note:

Future cash flows are estimated based on key assumptions including growth rate and discounted by weighted average cost of capital.

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

Unlisted equity investments

	2021 *HK$'000*	2020 *HK$'000*
Balance as at 1 January	**15,712**	13,448
Change in fair value recognised in other comprehensive income	**6,998**	1,264
Exchange realignment	**534**	1,000
Balance as at 31 December	**23,244**	15,712

There have been no transfers between level 1, 2 and 3 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (CONTINUED)

(e) *Categories of financial assets and liabilities*

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

	2021 Carrying amount ***HK$'000***	**2021 Fair value** ***HK$'000***	2020 Carrying amount *HK$'000*	2020 Fair value *HK$'000*
Financial assets				
Financial asset at FVOCI	**23,244**	**23,244**	15,712	15,712
At amortised cost:				
— Contract assets	**201,553**	**201,553**	2,552	2,552
— Finance lease receivables	**57,176**	**57,176**	—	—
— Trade receivables	**82,813**	**82,813**	80,402	80,402
— Bills receivables	**7,491**	**7,491**	22,298	22,298
— Deposits and other receivables	**4,798**	**4,798**	7,219	7,219
— Pledged bank deposits	**7,054**	**7,054**	—	—
— Cash and cash equivalents	**433,154**	**433,154**	152,930	152,930
	817,283	**817,283**	281,113	281,113
Financial liabilities				
Financial liabilities measured at amortised cost:				
— Trade payables	**252,423**	**252,423**	36,522	36,522
— Bills payables	**35,272**	**35,272**	—	—
— Accrued salaries and bonus	**17,483**	**17,483**	13,654	13,654
— Other payables for purchase of property, plant and equipment	**51,338**	**51,338**	15,210	15,210
— Other creditors and accruals	**8,987**	**8,987**	4,261	4,261
— Retention payables for disposal of old facilities or scraps	**—**	**—**	1,191	1,191
— Bank borrowings	**227,343**	**227,343**	8,000	8,000
Lease liabilities	**8,703**	**8,703**	9,890	9,890
	601,549	**601,549**	88,728	88,728

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, a minority shareholder of a subsidiary has injected patents and inventories amounting to approximately HK$10,323,000 and HK$1,241,000 to a subsidiary of the Company and the injection was dealt through intangible assets (note 15) and inventories respectively.

(b) Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK$'000 (note 23)	Lease liabilities HK$'000 (note 22)	Total HK$'000
At 1 January 2020	30,000	11,792	41,792
Proceeds from bank borrowings	8,000	—	8,000
Repayments of bank borrowings	(30,000)	—	(30,000)
Repayments of capital element of lease liabilities	—	(5,544)	(5,544)
Total changes from financing cash flows	(22,000)	(5,544)	(27,544)
Other changes:			
Exchange realignment	—	382	382
Additions	—	4,502	4,502
COVID-19-related rent concessions	—	(1,242)	(1,242)
At 31 December 2020 and 1 January 2021	**8,000**	**9,890**	**17,890**
Proceeds from bank borrowings	**277,456**	**—**	**277,456**
Repayments of bank borrowings	**(58,113)**	**—**	**(58,113)**
Repayments of capital element of lease liabilities	**—**	**(4,339)**	**(4,339)**
Total changes from financing cash flows	**219,343**	**(4,339)**	**215,004**
Other changes:			
Exchange realignment	**—**	**39**	**39**
Additions	**—**	**7,510**	**7,510**
Disposals	**—**	**(4,397)**	**(4,397)**
At 31 December 2021	**227,343**	**8,703**	**236,046**

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and make adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payables to shareholders, issue new shares or raise and repay debts. The Group's capital management objectives, policies or processes were unchanged during the current and previous years.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity. Net debt is calculated as total borrowings (including "bank borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting date were as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Bank borrowings	**227,343**	8,000
Less: Cash and cash equivalents	**(433,154)**	(152,930)
Net debt	**(205,811)**	(144,930)
Total equity	**769,334**	442,479
Gearing ratio	**N/A**	N/A

FINANCIAL SUMMARY

The following is a summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years as extracted from the published financial statements:

	Year ended 31 December				
	2021 ***HK$'000***	2020 *HK$'000*	2019 *HK$'000*	2018 *HK$'000*	2017 *HK$'000*
RESULTS					
Revenue	**506,187**	218,134	202,882	170,428	110,305
Cost of revenue	**(380,048)**	(167,417)	(152,847)	(124,424)	(86,321)
Gross profit	**126,139**	50,717	50,035	46,004	23,984
Profit before income tax	**86,955**	24,207	28,171	73,462	13,075
Income tax expense	**(20,634)**	(4,122)	(3,149)	(14,366)	(3,687)
Profit for the year	**66,321**	20,085	25,022	59,096	9,388
Profit for the years attributable to:					
– owners of the Company	**62,629**	19,921	25,022	59,096	9,388
– non-controlling interests	**3,692**	164	—	—	—
	66,321	20,085	25,022	59,096	9,388
ASSETS AND LIABILITIES					
Total assets	**1,448,071**	555,559	493,762	445,156	244,453
Total liabilities	**(678,737)**	(113,080)	(97,963)	(68,682)	(121,047)
	769,334	442,479	395,799	376,474	123,406
Equity attributable to owners of the Company	**753,966**	442,308	395,799	376,474	123,406
Non-controlling interests	**15,368**	171	—	—	—
	769,334	442,479	395,799	376,474	123,406