



INTERIM REPORT 2023



**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

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

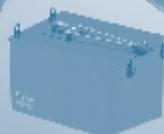
GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that companies listed on GEM are small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. NG Ngan Ho[^]
Ms. LI Pik Yung
Mr. WANG Mohan
(Chief Executive Officer)
(appointed on 5 June 2023)

Non-executive Directors

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

Independent non-executive Directors

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

- * Chairman of audit committee
- # Members of audit committee
- + Chairman of remuneration committee
- o Members of remuneration committee
- Chairman of nomination committee
- < Members of nomination committee
- ^ Compliance officer

COMPANY SECRETARY

Mr. CHEUNG Siu On Victor, FCPA

REGISTERED OFFICE

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

HEADQUARTERS

99 Yongzhen Road
Jiujiang Economic Development Zone
Wuhu City, Anhui Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISERS AS TO HONG KONG LAW

Squire Patton Boggs
Suite 3201, One Island East
Taikoo Place, Quarry Bay
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

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

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

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

COMPANY'S WEBSITE

www.xinyies.com

SHARE INFORMATION

Place of listing: GEM of the Stock Exchange
Stock code: 08328
Listing date: 11 July 2016
Board lot: 4,000 ordinary shares
Financial year end: 31 December
Share price as of the date of
this interim report: HK\$2.60
Market capitalisation as of the date of
this interim report:
Approximately HK\$2,041.6 million

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	273,080	244,279	551,422	350,263
Cost of revenue		(240,892)	(191,397)	(492,098)	(268,767)
Gross profit		32,188	52,882	59,324	81,496
Other income	4	28,186	2,691	42,872	3,667
Other gains/(losses), net	4	(596)	(365)	2,061	346
Impairment loss on financial assets		(335)	—	(335)	—
Selling and marketing costs		(8,610)	(4,281)	(14,739)	(7,473)
Administrative expenses		(33,656)	(19,644)	(60,460)	(38,725)
Share of results of an associate		(1)	(1)	(2)	(1)
Operating profit		17,176	31,282	28,721	39,310
Finance income	5	438	458	845	961
Finance costs	5	(3,220)	(907)	(5,350)	(1,108)
Profit before income tax	6	14,394	30,833	24,216	39,163
Income tax expense	7	(4,530)	(9,116)	(7,308)	(13,217)
Profit for the period		9,864	21,717	16,908	25,946

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2023

Notes	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other comprehensive income:				
<i>Item that may be subsequently reclassified to profit or loss:</i>				
Exchange differences on translation of financial statements of operations	(61,813)	(34,725)	(37,914)	(30,524)
<i>Item that will not be subsequently reclassified to profit or loss:</i>				
Change in fair value of a financial asset at fair value through other comprehensive income, net of tax	4,414	—	4,414	—
	<u>(57,399)</u>	<u>(34,725)</u>	<u>(33,500)</u>	<u>(30,524)</u>
Total comprehensive income for the period	<u>(47,535)</u>	<u>(13,008)</u>	<u>(16,592)</u>	<u>(4,578)</u>
Profit for the period attributable to:				
– owners of the Company	7,007	18,091	13,534	21,842
– non-controlling interests	2,857	3,626	3,374	4,104
	<u>9,864</u>	<u>21,717</u>	<u>16,908</u>	<u>25,946</u>
Total comprehensive income for the period attributable to:				
– owners of the Company	(50,409)	(16,280)	(20,474)	(8,550)
– non-controlling interests	2,874	3,272	3,882	3,972
	<u>(47,535)</u>	<u>(13,008)</u>	<u>(16,592)</u>	<u>(4,578)</u>
	HK cents	HK cents (Restated)	HK cents	HK cents (Restated)
Earnings per share attributable to owners of the Company for the period				
– Basic	8(a) 0.89	2.50	1.72	3.01
– Diluted	8(b) 0.89	2.48	1.71	2.99

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at	
		30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	761,814	628,091
Intangible assets	10	46,198	23,686
Financial asset at fair value through other comprehensive income		29,503	25,440
Interests in an associate		301	303
Finance lease receivables	11	250,375	183,544
Prepayments for property, plant and equipment	11	2,915	105,199
		1,091,106	966,263
Current assets			
Inventories		399,534	519,419
Contract assets, trade and other receivables and prepayments	11	664,540	628,183
Income tax recoverable		1,305	1,872
Pledged bank deposits		—	26,204
Cash and cash equivalents		111,786	162,055
		1,177,165	1,337,733
Current liabilities			
Contract liabilities, trade and other payables	12	546,469	774,173
Provision for tax		7,179	7,810
Lease liabilities		5,992	5,804
Bank borrowings	13	462,339	208,423
		1,021,979	996,210
Net current assets		155,186	341,523
Total assets less current liabilities		1,246,292	1,307,786

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023

	Notes	As at	
		30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		5,039	4,431
Bank borrowings	13	76,524	130,601
Deferred tax liabilities		28,071	22,264
		<u>109,634</u>	<u>157,296</u>
Net assets		<u>1,136,658</u>	<u>1,150,490</u>
EQUITY			
Share capital	14	7,853	7,851
Reserves		1,101,546	1,119,262
		<u>1,109,399</u>	<u>1,127,113</u>
Non-controlling interests		27,259	23,377
Total equity		<u>1,136,658</u>	<u>1,150,490</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Share-based payments reserve HK\$'000	Exchange reserve HK\$'000	Financial asset at fair value through other comprehensive income reserve HK\$'000	Statutory reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2023 (Audited)	7,851	855,400	13,587	6,577	(47,792)	20,382	20,448	250,660	1,127,113	23,377	1,150,490
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	13,534	13,534	3,374	16,908
Other comprehensive income											
Exchange differences on translation of financial statements of operations	-	-	-	-	(38,422)	-	-	-	(38,422)	508	(37,914)
Change in fair value of a financial asset at fair value through other comprehensive income, net of tax	-	-	-	-	-	4,414	-	-	4,414	-	4,414
Total comprehensive income	-	-	-	-	(38,422)	4,414	-	13,534	(20,474)	3,882	(16,592)
Transactions with owners											
Employees share option scheme:											
- proceed from issue of shares	2	227	-	(46)	-	-	-	-	183	-	183
- share-based payment expense	-	-	-	2,577	-	-	-	-	2,577	-	2,577
- adjustment relating to forfeiture of share options	-	-	-	(3)	-	-	-	3	-	-	-
Total transactions with owners	2	227	-	2,528	-	-	-	3	2,760	-	2,760
Balance at 30 June 2023 (Unaudited)	<u>7,853</u>	<u>855,627</u>	<u>13,587</u>	<u>9,105</u>	<u>(86,214)</u>	<u>24,796</u>	<u>20,448</u>	<u>264,197</u>	<u>1,109,399</u>	<u>27,259</u>	<u>1,136,658</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2023

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Share-based payments reserve HK\$'000	Exchange reserve HK\$'000	Financial asset at fair value through other comprehensive income reserve HK\$'000	Statutory reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2022 (Audited)	7,133	462,176	13,587	3,059	26,149	16,658	15,113	210,091	753,966	15,368	769,334
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	21,842	21,842	4,104	25,946
Other comprehensive income											
Exchange differences on translation of financial statements of operations	–	–	–	–	(30,392)	–	–	–	(30,392)	(132)	(30,524)
Total comprehensive income	–	–	–	–	(30,392)	–	–	21,842	(8,550)	3,972	(4,578)
Transactions with owners											
Employees share option scheme:											
– proceed from issue of shares	3	565	–	(130)	–	–	–	–	438	–	438
– share-based payment expense	–	–	–	1,578	–	–	–	–	1,578	–	1,578
Appropriation to statutory reserve	–	–	–	–	–	–	1,633	(1,633)	–	–	–
Total transactions with owners	3	565	–	1,448	–	–	1,633	(1,633)	2,016	–	2,016
Balance at 30 June 2022 (Unaudited)	<u>7,136</u>	<u>462,741</u>	<u>13,587</u>	<u>4,507</u>	<u>(4,243)</u>	<u>16,658</u>	<u>16,746</u>	<u>230,300</u>	<u>747,432</u>	<u>19,340</u>	<u>766,772</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(137,106)	(226,195)
Interest paid	(13,719)	(2,129)
Income tax paid	(2,699)	(7,937)
Net cash used in operating activities	(153,524)	(236,261)
Cash flows from investing activities		
Purchase of property, plant and equipment	(92,679)	(146,696)
Addition of intangible assets	(25,575)	(3,640)
Other investing cash flow – net	27,376	1,804
Net cash used in investing activities	(90,878)	(148,532)
Cash flows from financing activities		
Proceeds from issue of shares by share options	183	438
Proceeds from bank borrowings	319,218	233,437
Repayments of bank borrowings	(119,379)	(105,000)
Repayments of capital element of lease liabilities	(3,746)	(3,434)
Net cash generated from financing activities	196,276	125,441
Net decrease in cash and cash equivalents	(48,126)	(259,352)
Cash and cash equivalents at beginning of the period	162,055	433,154
Effect of foreign exchange rate changes, on cash held	(2,143)	(5,531)
Cash and cash equivalents at end of the period	111,786	168,271

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Group is principally engaged in the business of the automobile glass repair and replacement business in Hong Kong and the production and sales of electric storage products and the photovoltaic films (the “**PV Films**”) in the People’s Republic of China (the “**PRC**”). In addition, the Group is also engaged in the provision of engineering, procurement and construction services (the “**EPC Services**”) for solar energy projects.

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information has been approved for issue by the Board on 2 August 2023.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with the applicable disclosure provisions of the GEM Listing Rules and Hong Kong Accounting Standards (“**HKAS**”) 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2022, as described in 2022 annual financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) Adoption of new or revised HKFRSs – effective 1 January 2023

In the current period, the Group has applied for the first time the following new or revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts

The adoption of the above new standards and amendments to standards that are effective from 1 January 2023 does not have any significant impact to the results and financial position of the Group.

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹

¹ Effective for annual periods beginning on or after 1 January 2024.

² The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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

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

3. REVENUE AND SEGMENT INFORMATION

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

The executive Directors determine the reportable segments from service/product perspective. The executive Directors identified five operating segments, which represent the Group's reportable segments, respectively, including (1) electric storage business; (2) EPC Services; (3) PV Films; (4) automobile glass repair and replacement services; and (5) other segments (trading of forklift and wind farm related business).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND 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

	Six months ended 30 June 2023 (Unaudited)					Total HK\$'000
	Electric storage business HK\$'000	EPC Services HK\$'000	PV Films HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	
Revenue from external customers	158,932	215,494	122,824	23,675	30,497	551,422
Timing of revenue recognition within the scope of HKFRS 15						
– At a point in time	158,932	18,109	122,824	23,675	25,966	349,506
– Over time	–	192,632	–	–	4,531	197,163
	158,932	210,741	122,824	23,675	30,497	546,669
Revenue from other source:						
Finance lease income	–	4,753	–	–	–	4,753
Total revenue	158,932	215,494	122,824	23,675	30,497	551,422
Cost of revenue	(154,466)	(171,789)	(125,830)	(17,179)	(22,834)	(492,098)
Gross profit/(loss)	4,466	43,705	(3,006)	6,496	7,663	59,324
Depreciation charge of property, plant and equipment	13,772	528	1,202	3,458	–	18,960
Amortisation of intangible assets	1,106	–	3	–	–	1,109
Additions to non-current assets during the period (other than financial instruments and deferred tax assets)	30,238	232	71,307	2,550	90	104,417

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment results (Continued)

	Six months ended 30 June 2022 (Unaudited)					
	Electric storage business HK\$'000	EPC Services HK\$'000	PV Films HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	<u>66,343</u>	<u>242,698</u>	<u>9,276</u>	<u>20,657</u>	<u>11,289</u>	<u>350,263</u>
Timing of revenue recognition within the scope of HKFRS 15						
– At a point in time	66,343	10,706	9,276	20,657	6,436	113,418
– Over time	<u>—</u>	<u>230,541</u>	<u>—</u>	<u>—</u>	<u>4,853</u>	<u>235,394</u>
	66,343	241,247	9,276	20,657	11,289	348,812
Revenue from other source:						
Finance lease income	<u>—</u>	<u>1,451</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,451</u>
Total revenue	66,343	242,698	9,276	20,657	11,289	350,263
Cost of revenue	<u>(58,842)</u>	<u>(177,678)</u>	<u>(8,968)</u>	<u>(16,663)</u>	<u>(6,616)</u>	<u>(268,767)</u>
Gross profit	<u>7,501</u>	<u>65,020</u>	<u>308</u>	<u>3,994</u>	<u>4,673</u>	<u>81,496</u>
Depreciation charge of property, plant and equipment	10,946	433	191	3,320	1	14,891
Amortisation of intangible assets	951	—	—	—	—	951
Additions to non-current assets during the period (other than financial instruments and deferred tax assets)	<u>27,471</u>	<u>231</u>	<u>134,661</u>	<u>2,260</u>	<u>181</u>	<u>164,804</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) *Segment results (Continued)*

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Segment gross profit	59,324	81,496
Unallocated items:		
Other income	42,872	3,667
Other gains, net	2,061	346
Impairment loss on financial assets	(335)	—
Selling and marketing costs	(14,739)	(7,473)
Administrative expenses	(60,460)	(38,725)
Share of results of an associate	(2)	(1)
Finance income	845	961
Finance costs	(5,350)	(1,108)
Profit before income tax	24,216	39,163

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Segment results (Continued)

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
Six months ended 30 June 2023 (Unaudited)			
– Customer B	116,157	—	116,157
Six months ended 30 June 2022 (Unaudited)			
– Customer A	—	56,288	56,288

(b) Disaggregation of revenue from contract with customers

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
The PRC	375,121	206,854
Canada	150,829	122,752
Hong Kong	23,675	20,657
Others	1,797	—
	551,422	350,263

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Segment assets and liabilities

	Electric storage business HK\$'000	EPC Services HK\$'000	PV Films HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
At 30 June 2023 (Unaudited)						
Total assets	<u>796,961</u>	<u>645,666</u>	<u>711,507</u>	<u>57,873</u>	<u>54,585</u>	<u>2,266,592</u>
Total liabilities	<u>(219,674)</u>	<u>(132,095)</u>	<u>(186,008)</u>	<u>(13,744)</u>	<u>(40,168)</u>	<u>(591,689)</u>
At 31 December 2022 (Audited)						
Total assets	<u>801,899</u>	<u>661,650</u>	<u>735,855</u>	<u>56,689</u>	<u>46,338</u>	<u>2,302,431</u>
Total liabilities	<u>(333,293)</u>	<u>(287,241)</u>	<u>(154,649)</u>	<u>(17,411)</u>	<u>(20,230)</u>	<u>(812,824)</u>

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

	Assets as at		Liabilities as at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Reportable segment assets/(liabilities)	2,266,592	2,302,431	(591,689)	(812,824)
Unallocated items:				
Prepayments, deposits and other receivables	158	254	—	—
Cash and cash equivalents	1,521	1,311	—	—
Bank borrowings	—	—	(538,863)	(339,024)
Other creditors and accruals	—	—	(1,061)	(1,658)
Total assets/(liabilities)	<u>2,268,271</u>	<u>2,303,996</u>	<u>(1,131,613)</u>	<u>(1,153,506)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

3. REVENUE AND 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:

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
The PRC	775,890	724,697
Canada	1,879	2,121
Hong Kong	18,470	19,394
Malaysia	14,989	11,067
	811,228	757,279

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

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

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other income				
Government grants (note (a))	26,839	2,136	40,727	2,765
Others	1,347	555	2,145	902
	28,186	2,691	42,872	3,667
Other gains/(losses), net				
Net gains on disposal of old facilities, scrapped materials or property, plant and equipment (note (b))	814	1,438	2,517	1,305
Rent concessions	—	48	—	48
Exchange losses, net	(1,410)	(1,851)	(456)	(1,007)
	(596)	(365)	2,061	346

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

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

Notes:

- (a) For the six months ended 30 June 2023, the balance included mainly grants obtained from the PRC government to subsidise the operating costs and research and development which amounted to approximately HK\$40,392,000 (2022: Nil) and Nil (2022: HK\$605,000), respectively.

For the six months ended 30 June 2022, the balance included grants under the Employment Support Scheme ("ESS") introduced by HKSAR Government which amounted to approximately HK\$920,000. 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 were no unfulfilled and other contingencies attaching to ESS. The balance also included grants obtained from the PRC government in relation to tax subsidy which amounted to approximately HK\$1,066,000.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

5. FINANCE INCOME AND FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Finance income				
Interest income from bank deposits	438	458	845	961
Finance costs				
Interest on bank borrowings	7,210	1,359	12,440	1,976
Interest on leases liabilities	113	71	242	153
Interest on discounted bills	616	—	1,037	—
Less: Amounts capitalised	(4,719)	(523)	(8,369)	(1,021)
	3,220	907	5,350	1,108

Note:

The capitalisation rate of 2.67% (2022: 1.27%) 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 period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of inventories	383,331	181,152
Write-off and provision for impairment of inventories	203	1,309
Depreciation charge	18,960	14,891
Amortisation charge	1,109	951
Employee benefit expense (including directors' emoluments)	47,662	29,390
Expense relating to short-term leases	1,239	436
Research and development expenses	17,018	10,904

7. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current income tax				
– Hong Kong profits tax (note (a))	109	163	121	163
– PRC corporate income tax (note (b))	454	4,140	2,074	5,123
– Canadian corporate income tax (note (c))	482	610	621	1,004
	1,045	4,913	2,816	6,290
Deferred tax charge	3,485	4,203	4,492	6,927
	4,530	9,116	7,308	13,217

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

7. INCOME TAX EXPENSE (CONTINUED)

Notes:

- (a) Hong Kong profits tax has been provided for at the two-tiered rate of 8.25% (2022: 8.25%) for the first HK\$2 million of the estimated assessable profits for one of the Group's Hong Kong subsidiaries for the period and 16.5% (2022: 16.5%) on the remaining estimated assessable profits for the period.
- (b) Two (2022: 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% (2022: 15%). Other subsidiaries of the Group in the PRC are subject to standard tax rate of 25% (2022: 25%). Provision for the PRC corporate income tax is calculated at 15% - 25% (2022: 15% - 25%) on estimated assessable profit for the period.
- (c) Canadian corporate income tax is provided on the estimated assessable profits at the federal tax rate of 15% (2022: 15%) and provincial tax rates at rates prevailing in relevant provinces of 8% - 16% (2022: 8% - 16%) for the period.
- (d) In prior years, a subsidiary of the Company (the "**Subsidiary**") has received various Notices of Assessment from the Hong Kong Inland Revenue Department ("**IRD**") on the Subsidiary's additional assessable profits (for Hong Kong profits tax purpose) of HK\$5,000,000 for each of the five years of assessment from 2012/2013 to 2016/2017 (the "**Additional Assessments**"). No detailed information on the Additional Assessments has been provided by the IRD regarding the basis of the assessments, and the Additional Assessments are subject to the IRD's further enquiries and investigations into the Subsidiary's tax affairs and are made considering the forthcoming statutory time limit of making tax assessments under the Inland Revenue Ordinance (Chapter 112 of the laws of Hong Kong). Based on the statutory tax rate of 16.5% for Hong Kong profits tax, the Subsidiary might be subject to a maximum additional profits tax liability of HK\$825,000 for each of the five years of assessment attributable from the Additional Assessments, and may be chargeable to further additional tax, subject to the forthcoming further enquiries. Due to the lack of detailed information provided by the IRD, the Subsidiary has lodged objection against the Additional Assessments and the IRD has held over the tax in dispute completely and unconditionally while pending the resolution of the case. The Subsidiary has also engaged a tax advisor to conduct tax due diligence review for each of the five years of assessment. According to the results of the tax advisor's due diligence review, no material error or adverse matters have been observed during the five years of assessment. On this basis and the fact that all the tax payments under the Additional Assessments are held over as agreed by the IRD, no provision for such additional tax liability has been made in the financial statements for the six months ended 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 (2022: the weighted average number of ordinary shares in issue were restated to reflect the bonus element arising from the rights issue completed in September 2022).

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>7,007</u>	<u>18,091</u> (Restated)	<u>13,534</u>	<u>21,842</u> (Restated)
Weighted average number of ordinary shares in issue (thousands)	<u>785,220</u>	<u>724,908</u> (Restated)	<u>785,161</u>	<u>724,856</u> (Restated)
Basic earnings per share (HK cents)	<u>0.89</u>	<u>2.50</u>	<u>1.72</u>	<u>3.01</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

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

For the six months ended 30 June 2023 and 2022, the Company had dilutive potential ordinary shares from share options. The calculation for share options was determined by the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds was the number of shares issued for no consideration. The resulting number of shares issued for no consideration was included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

8. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (Continued)

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company used to determine the diluted earnings per share (HK\$'000)	7,007	18,091	13,534	21,842
		(Restated)		(Restated)
Weighted average number of ordinary shares in issue (thousands)	785,220	724,908	785,161	724,856
Adjustment for share options (thousands)	2,656	5,047	4,494	4,905
	787,876	729,955	789,655	729,761
		(Restated)		(Restated)
Diluted earnings per share (HK cents)	0.89	2.48	1.71	2.99

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

9. DIVIDENDS

No interim dividend was declared during the six months ended 30 June 2023 (2022: Nil).

10. CAPITAL EXPENDITURE

	Property, plant and equipment HK\$'000	Intangible assets HK\$'000
Six months ended 30 June 2023 (Unaudited)		
Opening carrying amount at 1 January 2023	628,091	23,686
Additions	181,128	25,575
Disposals	(24)	—
Depreciation/Amortisation	(18,960)	(1,109)
Exchange realignment	(28,421)	(1,954)
Closing carrying amount at 30 June 2023	<u>761,814</u>	<u>46,198</u>
Six months ended 30 June 2022 (Unaudited)		
Opening carrying amount at 1 January 2022	370,545	11,716
Additions	94,613	3,640
Disposals	(477)	—
Depreciation/Amortisation	(14,891)	(951)
Exchange realignment	(17,957)	(600)
Closing carrying amount at 30 June 2022	<u>431,833</u>	<u>13,805</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Finance lease – gross receivables	353,524	258,291
Less: Unearned finance income	(87,527)	(64,011)
	265,997	194,280
Present value of minimum lease payments	265,997	194,280
Less: Loss allowance	(983)	(636)
	265,014	193,644
Trade receivables (note (a))		
– Third parties	373,384	357,993
– Related companies	16,181	15,817
	389,565	373,810
Less: Loss allowance	(1,850)	(2,030)
	387,715	371,780
Contract assets	195,885	135,009
Less: Loss allowance	(444)	(335)
	195,441	134,674
Bills receivables (note (b))	11,386	28,308
Prepayments	36,618	127,840
Value-added tax recoverable	14,005	55,835
Deposits and other receivables	7,651	4,845
	917,830	916,926
Less: Non-current portion		
Finance lease receivables	(250,375)	(183,544)
Prepayments for property, plant and equipment	(2,915)	(105,199)
	664,540	628,183

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

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

Notes:

(a) Trade receivables

Majority of credit period granted by the Group to its customers is 30 to 90 days (31 December 2022: 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:

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
0 - 90 days	161,774	233,025
91 - 180 days	120,190	14,005
181 - 365 days	98,787	42,664
Over 365 days	6,964	82,086
	387,715	371,780

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

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

Notes: (Continued)

(b) Bills receivables

The maturity dates of bills receivables are within 6 months (31 December 2022: 6 months).

As at 30 June 2023, the Group endorsed certain bills receivables (the **"Endorsed Bills"**) issued by several banks in the PRC (the **"Issuing Banks"**) with a carrying amount of RMB57,319,000 (equivalent to approximately HK\$61,806,000) (31 December 2022: RMB101,799,000 (equivalent to approximately HK\$113,755,000)), with maturity within 12 months (31 December 2022: within 12 months) at the end of the reporting period to certain of its suppliers for settlement of its trade and other payables due to these suppliers (the **"Endorsement"**). In addition, as at 30 June 2023, the Group discounted certain bills receivables (the **"Discounted Bills"**) issued by the Issuing Banks with a carrying amount of RMB113,217,000 (equivalent to approximately HK\$122,080,000) (31 December 2022: Nil) (the **"Discount"**). In accordance with the Negotiable Instruments Law of the PRC, a holder of the Endorsed Bills and the Discounted Bills has a right of recourse against the Group if default of payment by the Issuing Banks (the **"Continuing Involvement"**). In the opinion of the Directors, all risks and rewards relating to the Endorsed Bills and the Discounted Bills have been substantially transferred upon the Endorsement and the Discount (the **"Derecognised Bills"**). Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills and the associated trade and other payables settled by the Endorsed Bills. The maximum exposure arising from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. The Directors consider that the fair values of the Group's Continuing Involvement in the Derecognised Bills were not significant.

During the six months ended 30 June 2023 and 2022, the Group had not recognised any gain or loss arising from the Derecognised Bills. No gain or loss were recognised from the Continuing Involvement, both during the periods or cumulatively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

12. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade payables (note)		
– Third parties	154,466	140,284
– Related companies	1,217	1,581
	155,683	141,865
Bills payables	111,355	341,605
Contract liabilities	27,643	41,652
Accrued salaries and bonus	14,295	19,211
Other payables for purchase of property, plant and equipment	93,496	65,602
Other creditors and accruals	18,040	14,264
Value-added tax payable	176	2,471
Deferred revenue in respect of government grants	125,781	147,503
	546,469	774,173

Note:

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

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 30 days	98,925	82,368
31 - 90 days	7,998	24,384
91 - 180 days	18,779	17,009
Over 180 days	29,981	18,104
	155,683	141,865

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

13. BANK BORROWINGS

As at 30 June 2023, the Group's bank borrowings are repayable as follows:

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
On demand or within one year	462,339	208,423
In the second year	63,724	95,401
In the third to fifth years	12,800	35,200
Wholly repayable within five years	538,863	339,024
Less: Portion due on demand or within one year under current liabilities	(462,339)	(208,423)
Portion due over one year under non-current liabilities	76,524	130,601

The bank borrowings were carried at floating rates ranged from 4.3% to 7.0% per annum (31 December 2022: 5.8% to 6.4% per annum), except for a loan carried at fixed rate of 2.6% per annum (31 December 2022: 3.8% per annum).

As at 30 June 2023, the Group's bank borrowings were secured by corporate guarantees given by the Company and a subsidiary of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

14. SHARE CAPITAL

The number of the Company's shares authorised and issued as of 30 June 2023 and 31 December 2022 is as follows:

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	2,000,000,000,000	20,000,000
Issued and fully paid:		
At 31 December 2022 and 1 January 2023	785,092,882.38	7,851
Issue of ordinary shares upon exercise of share options	148,854	2
At 30 June 2023	785,241,736.38	7,853

15. SHARE OPTIONS

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

	Six months ended 30 June			
	2023		2022	
	Average exercise price in HK\$ per share	Options (units)	Average exercise price in HK\$ per share	Options (units)
At 1 January	2.86	14,562,823	2.28	13,056,625
Granted	3.00	2,200,000	3.91	1,600,000
Exercised	1.23	(148,854)	1.92	(302,162)
Forfeited	4.06	(261,736)	2.83	(183,998)
At 30 June	2.87	16,352,233	2.47	14,170,465

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. SHARE OPTIONS (CONTINUED)

On 9 May 2023, 2,200,000 share options were granted to an executive Director, the chief executive officer of the Company and certain employees of the Group. The exercise price is HK\$3.00 per share, 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 9 May 2023 to 31 March 2027. One third of the options will vest on each of the year-end date of 2023, 2024 and 2025 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2026 to 31 March 2027.

Out of the above outstanding share options, 330,184 options were exercisable as at 30 June 2023 (31 December 2022: 88,010 options).

These outstanding share options as at 30 June 2023 have the following expiry dates and exercise prices:

Expiry date	At 30 June 2023 (Unaudited)		At 31 December 2022 (Audited)	
	Average exercise price in HK\$ per share	Options (units)	Average exercise price in HK\$ per share	Options (units)
31 March 2023	N/A	—	1.14	88,010
31 March 2024	1.36	330,184	1.36	409,071
31 March 2025	2.29	10,870,430	2.32	10,998,297
31 March 2026	5.07	2,951,619	5.02	3,067,445
31 March 2027	3.00	2,200,000	N/A	—
		<u>16,352,233</u>		<u>14,562,823</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

15. SHARE OPTIONS (CONTINUED)

The weighted average fair value of these options granted on 9 May 2023 were determined using the Binomial Tree valuation model, which were performed by an independent valuer, Greater China Appraisal Limited, and were approximately HK\$1.51 per option. The significant inputs into the model are as follows:

Grant date	9 May 2023
Closing share price, at the grant date (HK\$)	3.00
Exercise price (HK\$)	3.00
Volatility (%)	65.50%
Dividend yield (%)	0.00%
Expected share option life (years)	3.90
Annual risk-free interest rate	3.06%

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

16. FAIR VALUE MEASUREMENT

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

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

- Level 1: quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable of the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16. FAIR VALUE MEASUREMENT (CONTINUED)

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2023 (Unaudited)				
Financial asset at fair value through other comprehensive income	—	—	29,503	29,503
As at 31 December 2022 (Audited)				
Financial asset at fair value through other comprehensive income	—	—	25,440	25,440

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

16. FAIR VALUE MEASUREMENT (CONTINUED)

The fair value of financial asset at fair value through other comprehensive income is determined using discounted cash flow 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	
			As at	
			30 June 2023 HK\$'000	31 December 2022 HK\$'000
Discounted cash flows approach (note)	Electricity outputs	+/-5%	<u>2,368/(2,368)</u>	<u>2,548/(2,539)</u>
	Operating expenses	+/-5%	<u>(912)/912</u>	<u>(1,010)/1,016</u>
	Discount rate	+/-1%	<u>(262)/264</u>	<u>(285)/288</u>

Note:

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

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

Unlisted equity investments

	HK\$'000
As at 1 January 2023 (Audited)	25,440
Change in fair value recognised in other comprehensive income	5,193
Exchange realignment	<u>(1,130)</u>
As at 30 June 2023 (Unaudited)	<u>29,503</u>

There have been no transfers between level 1, 2 and 3 during the six months ended 30 June 2023 (2022: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2023 and 2022, save as disclosed elsewhere in this report, the Group carried out the following significant transactions with its related parties:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Related party transactions with subsidiaries of Xinyi Glass Holdings Limited		
– Purchase of automobile glass	2,993	2,845
– Purchase of other glasses	3	—
– Purchase of consumables	254	589
– Sales of electric storage products	2,014	2,792
– Management fee received	4,531	4,852
– Operating lease payments in respect of office premises paid	280	159
– Purchase of steam	834	916
– Operating lease income in respect of office premises received	414	415
– Sales of fixed assets and consumables	10	605
Related party transactions with subsidiaries of Xinyi Solar Holdings Limited		
– Sales of electric storage products	6,313	8,470
– Operating lease income in respect of office premises received	—	20
– Operating and maintenance fee income received	1,263	1,344
– Sales of consumables	26	—
– Sales of PV Films	20	—
Related party transactions with entities controlled by a controlling party		
– Sales of electric storage products	—	39
Related party transactions with Mr. LEE Shing Kan and Mr. TUNG Fong Ngai		
– Operating lease payments in respect of shop premises paid	270	270

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Key management compensation amounted to HK\$5,068,000 for the six months ended 30 June 2023 (2022: HK\$3,776,000).

18. CAPITAL COMMITMENT

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

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contracted but not provided for in respect of		
- Construction of production plant and purchase of construction materials/property, plant and equipment	16,310	66,007

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Electric storage business – Rapid growth in sales of industrial and commercial energy storage products and successive supply of residential energy storage products

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

The Group has always adhered to scientific and technological innovation and believed that R&D is the key to long-term development, and thus, it has given strong support to the investment in the R&D of lithium battery products and energy storage technology, and continuously strengthened the investment in R&D. The R&D and production of lithium battery products and other associated products are continuously strengthened based on customers' demand and market change as the Group strives to offer customers a wider range of power supply products, technical services and comprehensive system solutions.

The Group is of the view that industrial and commercial and residential energy storage will both serve as the powertrains in the future, thus active deployment is being carried out for a dual development in these two fronts. On the industrial and commercial energy storage, the energy storage products of the Group possess comprehensive product solution, with products include air cooling energy storage system and liquid cooling energy storage system, and are suitable for different application scenarios such as power generation, power supply and user side. In the six months ended 30 June 2023 (the "1H2023"), the Group continued to capture the demand of new energy for energy storage systems with more projects undertaken and products successively launched, leading to a rapid growth in revenue from electric storage business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In addition, as far as the residential energy storage is concerned, the well-established R&D team of the Group is dedicated to develop the product path for the integration and systematisation of “photovoltaic, storage and charging”. These products mainly comprise three major series, namely residential energy storage, electric vehicle charger and portable energy storage. The residential energy storage products mainly include inverters and residential energy storage battery packs. The Group has formed strategic cooperation with inverter manufacturers to support the supply of the products of the residential energy storage series, and the delivery of products has been started in the 1H2023. Furthermore, the delivery of the electric vehicle charger series to the North American market has been stable. Substantial progress has been made in the cooperation with several renowned electrical and home appliance retailers in North America. The development of some European version of electric vehicle chargers has been completed and the Group plans to provide samples to potential customers for product evaluation. In terms of the portable energy storage series, the R&D of various portable energy storage products of the Group have gradually entered the final stage. It is expected that the development will be completed, while the samples will be delivered to potential customers by the end of 2023.

Having benefited from the increase in revenue of industrial and commercial energy storage products, the revenue from electric storage business for the 1H2023 increased by 139.6% as compared to the six months ended 30 June 2022 (the “1H2022”).

Engineering, procurement and construction (“EPC”) services for photovoltaic power stations – Continuous growth in business has made significant contribution to the Group

Through seizing the opportunities arising from the rapid development in the distributed photovoltaic field and by leveraging the extensive experience in the photovoltaic projects, the Group formed a professional and efficient photovoltaic EPC team in a rapid manner and commenced the EPC Services business in the PRC and Canada. Under the goal of “carbon emission peak and carbon neutrality (碳達峰、碳中和)” actively promoted by the PRC government, the application of photovoltaics is increasing in all scenarios. The distributed photovoltaic power stations are built with idle roofs for achieving energy-saving and carbon dioxide emission reduction, which has huge development opportunities. The Group also focuses on providing photovoltaic EPC Services for residential users in Canada, providing a one-stop energy solution to users covering design and development, financial planning, installation and professional maintenance. The operation of the Group in Canada has been developing stably so far and its business presence has been further expanded.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PV Films – Facilitating the construction of production line and product certification, laying the foundation for large-scale release of production capacity in the future

The Group is actively deploying itself on exploring the new business on PV Films, in an effort to concert Xinyi's strategic goal of becoming a major supplier of key components of photovoltaic modules. The Group's PV Films products are mainly ethylene vinyl acetate ("EVA") films, polyolefin elastomer ("POE") films and co-extruded POE ("EPE") films, which were developed based on the customers' demand for the type and technical requirements of photovoltaic modules so as to provide them with PV Films products that meet their requirements. The PV Films plant of the Group and production lines in Wuhu City, Anhui Province are under construction. Currently, this plant has a 16 gigawatts ("GW") of production capacity for encapsulant films, and it is planned to increase such production capacity to 45GW by the end of 2023. Moreover, the Group has set up a production line in Malacca, Malaysia, with a production capacity of 5GW for encapsulant films, in order to meet the continuously growing needs from the photovoltaic module markets in Southeast Asia. Its production capacity is expected to be released gradually from the third quarter of 2023. At the end of June 2023, the Group's PV Films have successfully passed the certification of six of the top 15 photovoltaic module manufacturers in the PRC, laying a solid and reliable foundation for large-scale release of production capacity in the future.

OUTLOOK

The Group's principal business has been transformed from the automobile glass and repair services business in Hong Kong to a comprehensive provider of new energy solution. The Group has been deeply engaged in the new energy industry for many years and has a clear development direction. It currently focuses on the diversified layout of "3E" new energy business, namely energy storage, photovoltaic EPC Services and EVA films.

Driven by the new energy with energy storage, the energy storage industry has entered an explosive period. The Group's electric storage business has accumulated years of R&D and operation experience and will continue to leverage on such experience to capture the opportunities arising from the booming industry. At present, the sales of industrial and commercial energy storage products of the Group have recorded rapid growth in the PRC. The Group will continue to focus on market development, strengthen the R&D and optimise product standards, while actively seeking the opportunities to expand industrial and commercial energy storage products into overseas markets. Meanwhile, the Group will emphasise on the integration of energy storage and photovoltaic, with a particular focus on the implementation of "photovoltaic, storage and charging" in its equipment and launching the residential energy storage products into the North America market. The Group will continuously deploy the resources on the R&D of products, increase the proportion of R&D expenses, strive to improve the performance of products, reduce production costs, strengthen market development capabilities and customer service levels to enhance the Group's competitiveness in the market.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Since the Group launched the EPC Services business in the PRC and Canada, this business has developed rapidly. The Group gained extensive experience in the EPC Services business in the PRC and possessed deep understanding and insight on this industry and the business model. Together with a more mature team, the Group has laid a solid foundation for the exploration and implementation of new business in the future. In addition, the Group's EPC Services in Canada have also developed steadily and its business operation and market share in Canada have further expanded. In the meantime, the Group will intensively explore the development opportunity in other overseas markets. It will utilise its accumulated experience in Canada and apply its established business model to develop its EPC Services business in other potential overseas markets.

In addition, against a backdrop of increasing demand for photovoltaic in the market, the photovoltaic market has huge development opportunities. PV Film is an important encapsulant material for photovoltaic modules. The demand for PV Film is expected to grow rapidly as the demand for photovoltaic power generation continues to increase. In the second half of 2023, the Group's primary goal will be to complete the construction of the plant and production lines in the PRC with a 45GW of production capacity by the end of 2023, while accelerating the supporting certification and product introduction work with photovoltaic module manufacturers. Meanwhile, the Group will make great efforts on the R&D of PV Films through deploying its resources, and strengthen the establishment of its R&D team, thus to establish a long-term collaboration with its customers by providing products and service standards with better quality to increase the influence of the Group in PV Films market. In the meantime, the Group will strive to lower the procurement cost and optimise its manufacturing process in order to improve its efficiency, thus enhancing the profitability of this business.

With the recent integrated development of the new energy and energy storage markets, enterprises with the ability to combine the two are bound to become more competitive in the market. Leveraging on its extensive experience in the photovoltaic and energy storage industries, the Group will apply the relevant experience to actively deploy the development of derivation from photovoltaic EPC to photovoltaic and energy storage EPC.

Looking forward, the Group will continue to focus on the further development of new energy fields such as energy storage, EPC Services and PV Films, and make unremitting efforts to expand the Group's market share and position in the increasingly competitive new energy market, so as to further improve profitability and deliver satisfactory returns to shareholders in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

For the 1H2023, the Group's revenue was HK\$551.4 million (1H2022: HK\$350.3 million), representing an increase by 57.4% mainly attributable to the change in revenue contributed by business segments as analysed as follows:

	Six months ended 30 June					
	2023		2022		Increase/(Decrease)	
	HK\$'million	%	HK\$'million	%	HK\$'million	%
Electric storage business	158.9	28.8	66.3	18.9	92.6	139.7
EPC Services	215.5	39.1	242.7	69.3	(27.2)	(11.2)
PV Films	122.8	22.3	9.3	2.7	113.5	1,220.4
Automobile glass repair and replacement services	23.7	4.3	20.7	5.9	3.0	14.5
Others (Trading of forklift and wind farm related business)	30.5	5.5	11.3	3.2	19.2	169.9
Total revenue	551.4	100.0	350.3	100.0	201.1	57.4

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

- the increase in revenue attributable to the electric storage business, which contributed revenue amounting to HK\$158.9 million for the 1H2023, as compared to revenue amounting to HK\$66.3 million for the 1H2022, which was mainly due to increase in sales of industrial and commercial energy storage products during the period;
- the increase in revenue attributable to the PV Films, which contributed revenue amounting to HK\$122.8 million for the 1H2023 as compared to revenue amounting to HK\$9.3 million for the 1H2022, which was mainly due to the gradual increase in sales volume following the commencement of the new business; and
- the increase in revenue attributable to the others business, which contributed revenue amounting to HK\$30.5 million for the 1H2023 as compared to revenue amounting to HK\$11.3 million for the 1H2022, which was mainly due to the increase in the sales of the electric forklifts.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Cost of revenue and gross profit

For the 1H2023, cost of revenue comprised of HK\$154.5 million (1H2022: HK\$58.8 million) arising from the electric storage business, HK\$171.8 million (1H2022: HK\$177.7 million) arising from the EPC Services, HK\$125.8 million (1H2022: HK\$9.0 million) arising from the PV Films, HK\$17.2 million (1H2022: HK\$16.7 million) arising from the automobile glass repair and replacement services, and HK\$22.8 million (1H2022: HK\$6.6 million) arising from others (trading of forklift and wind farm related business), respectively.

Cost of revenue for the electric storage business of HK\$154.5 million (1H2022: HK\$58.8 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\$7.5 million for the 1H2022 to HK\$4.5 million for the 1H2023 despite the increase in revenue during the period. The decrease in gross profit was mainly due to the increase in sales of industrial and commercial energy storage products, which had a relatively low gross profit margin than other electric storage products.

Cost of revenue for the EPC Services of HK\$171.8 million (1H2022: HK\$177.7 million) mainly comprised of the material cost, installation cost and other subcontracting costs. The gross profit of the EPC Services decreased from HK\$65.0 million for the 1H2022 to HK\$43.7 million for the 1H2023 mainly due to the low gross profit margin for certain projects undertaken in respect of the EPC Services during the period.

Cost of revenue for the PV Films of HK\$125.8 million (1H2022: HK\$9.0 million) mainly comprised of material cost, labour cost and depreciation charge of property, plant and equipment. The gross profit of the PV Films decreased from HK\$0.3 million for the 1H2022 to a gross loss of HK\$3.0 million for the 1H2023 mainly due to the lower profitability of the PV Films during the startup phase of the new business. The startup phase of the new production incurred additional costs for production efficiency and quality improvement.

Cost of revenue for the automobile glass repair and replacement services of HK\$17.2 million (1H2022: HK\$16.7 million) mainly comprised of labour costs and depreciation charge of property, plant and equipment. The gross profit of the automobile glass repair and replacement services increased from HK\$4.0 million for the 1H2022 to HK\$6.5 million for the 1H2023 mainly because the depreciation charge and other overhead expenses (including labour costs) were generally stable, while revenue increased.

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The gross profit decreased by HK\$22.2 million from HK\$81.5 million for the 1H2022 to HK\$59.3 million for the 1H2023 despite the increase in revenue during the period. The gross profit margin decreased from 23.3% for the 1H2022 to 10.8% for the 1H2023, which was mainly due to the decrease in gross profit margin of the electric storage business and the EPC Services during the period. The sales of industrial and commercial energy storage products and certain EPC Services projects undertaken during the period had relatively lower gross profit margin. Besides, there was also a lower profitability of the PV Films during the startup phase of the new business.

Other income

Other income for the 1H2023 mainly represented the government grants from the PRC government which were recognised based on the operating costs of the Group in connection with the production and sales of the PV Films in the PRC.

Other income for the 1H2022 mainly represented government grants amounting to HK\$2.8 million, which included the government grants from the PRC government in relation to the tax subsidy and Hong Kong government in relation to the Employment Support Scheme granted to the automobile glass repair and replacement services business.

Other gains/(losses), net

Other gains, net for the 1H2023 and 1H2022 mainly included the gains on disposal of scrapped materials arising from the production, partially offset by the exchange losses.

Expenses

Selling and marketing costs increased by HK\$7.2 million from HK\$7.5 million for the 1H2022 to HK\$14.7 million for the 1H2023, which was mainly due to (i) the increase in employee benefit expense as a result of the increase in average number of employees during the period and (ii) the increase in expenses in connection with selling activities such as transportation cost for delivering products to customers, advertising expenses, entertainment expenses and after-sales service expenses.

Administrative expenses increased by HK\$21.8 million from HK\$38.7 million for the 1H2022 to HK\$60.5 million for the 1H2023, primarily due to (i) the increase in employee benefit expense as a result of the increase in average number of employees during the period and the share-based compensation for share options granted; (ii) the increase in the expenditure for R&D; and (iii) the increase in professional fee relating to the possible transfer listing to the Main Board of the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance costs

Finance costs increased by HK\$4.3 million from HK\$1.1 million (or HK\$2.1 million before capitalisation) for the 1H2022 to HK\$5.4 million (or HK\$13.7 million before capitalisation) for the 1H2023. The increase in finance costs was mainly attributable to (i) the higher weighted average carrying amount of bank borrowings during the period to finance the capital expenditures for the PV Film production facilities and working capital and (ii) the higher interest rate during the period. During the 1H2023, interest expense of HK\$8.3 million (1H2022: HK\$1.0 million) was mainly capitalised into the construction costs of the PV Film production facilities. The capitalised amounts will depreciate together with the relevant assets over their estimated useful lives.

Income tax expense

The income tax expense represented Hong Kong profits tax, PRC corporate income tax and Canadian corporate income tax. Income tax expense decreased by HK\$5.9 million from HK\$13.2 million for the 1H2022 to HK\$7.3 million for the 1H2023. The effective tax rate was 30.2% for the 1H2023 (1H2022: 33.7%). The decrease in income tax expense was mainly due to the decrease in profit before income tax. Two (1H2022: One) of the PRC subsidiaries, being qualified as New and High Technology Enterprise, were entitled to a preferential Corporate Income Tax rate of 15% and tax incentives for research and development tax credit.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the 1H2023 amounted to HK\$13.5 million (1H2022: HK\$21.8 million). The decrease in the profitability was mainly attributable to the operating performance of the Group as analysed above.

Financial resources and liquidity

For the 1H2023, the Group's primary sources of funding included its own working capital, the net proceeds from the rights issue in September 2022 and bank borrowings. As of 30 June 2023, the Group had net current assets of HK\$155.2 million (31 December 2022: HK\$341.5 million) and cash and cash equivalents of HK\$111.8 million (31 December 2022: HK\$162.1 million) which were mainly placed with major banks in Hong Kong, the PRC and Canada. As of 30 June 2023, the Group had bank borrowings of HK\$538.9 million (31 December 2022: HK\$339.0 million).

As of 30 June 2023, 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 37.6% (31 December 2022: 15.4%). The change in the Group's gearing level was primarily due to the increase in bank borrowings for business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital structure

The shares of the Company (the “**Shares**”) have been listed on GEM since 11 July 2016. During the 1H2023, there has been no material change in the capital structure of the Company. The capital of the Group comprises only ordinary shares.

Capital expenditures and commitments

The Group incurred capital expenditures of HK\$78.8 million for the 1H2023 (1H2022: HK\$161.2 million), which was mainly related to the development and construction of PV Film production facilities in the PRC.

Capital commitments contracted for but not provided for by the Group as of 30 June 2023 amounted to HK\$16.3 million (31 December 2022: HK\$66.0 million), which were mainly related to the construction and purchase of various production plants and machinery for the PV Film production facilities in the PRC from independent third parties under different independent contracts.

Pledge of assets

No assets of the Group were pledged as security for banking facilities as of 30 June 2023. As of 31 December 2022, a bank balance of HK\$26.2 million was pledged to secure for the Group’s bills payables.

Employees and remuneration policies

As of 30 June 2023, the Group had 616 (31 December 2022: 518) full-time employees, of whom 460 (31 December 2022: 396) were based in the PRC, 60 (31 December 2022: 55) were based in Hong Kong and 96 (31 December 2022: 67) were based in Malaysia and Canada. The Group maintains good relationships with all of its employees. It provides the employees with sufficient training in business and professional knowledge including information about the applications of the Group’s products and skills in maintaining good customer relationships. Remuneration packages offered to the Group’s employees have been consistent with the prevailing market terms and have been reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group’s performance and that of the individual employee.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Treasury policies and exposure to fluctuation in foreign 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 (“**HKD**”), Renminbi (“**RMB**”) and Canadian dollars (“**CAD**”). Exchange rate fluctuations between RMB and HKD or CAD and HKD could affect the Group’s performance and asset value.

The presentation currency of the Group’s consolidated financial statements is HKD. Amid the depreciation of RMB against HKD in 2023, the Group reported non-cash translation loss - a decrease in the exchange reserve of its condensed consolidated financial position of HK\$38.4 million (1H2022: decrease of HK\$30.4 million) - when converting RMB-denominated assets and liabilities into HKD at 30 June 2023. As a result, the Group’s consolidated exchange reserve recorded a debit balance of HK\$86.2 million as of 30 June 2023 as compared to a debit balance of HK\$47.8 million as of 31 December 2022.

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 1H2023, the Group did not use any financial instrument for hedging purpose.

Use of the net proceeds from rights issue

In September 2022, the Company raised net proceeds of HK\$393.2 million by way of rights issue of 71,367,861 rights shares. The table below sets forth the proposed application of the net proceeds and the actual usage up to 30 June 2023:

	Proposed application of the net proceeds HK\$’ million	Remaining balance as of 31 December 2022 HK\$’ million	Amount used up to 30 June 2023 HK\$’ million	Remaining balance as of 30 June 2023 HK\$’ million	Timeline for the intended use
--	--------------------------------------------------------------------	--------------------------------------------------------------------	----------------------------------------------------------	----------------------------------------------------------------	-------------------------------------

Additional working capital
for development of the
PV Films business

393.2	344.2	123.0	270.2
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By end of
2023

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

As of 30 June 2023, 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 1H2023. Save as the disclosed plan to set up the new PV film production lines in the PRC and Malaysia, there were no other plans authorised by the Board for any material investments or additions of capital assets as of the date of this report.

Contingent liabilities

As of 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

Event after the reporting period

No significant events have taken place subsequent to 30 June 2023 and up to the date of this report.

CHANGES IN DIRECTORS' INFORMATION

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

Mr. WANG Mohan, the Chief Executive Officer of the Company, was appointed as an executive Director with effect from 5 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

As of 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

(i) Long positions in the Shares

Name of Director	Capacity	Name of the controlled corporations	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Tan Sri Datuk TUNG Ching Sai <i>P.S.M.</i> <i>D.M.S.M., J.P.</i>	Interest in a controlled corporation	Copark ⁽¹⁾ (as defined below)	46,114,672	5.87
		Full Guang ⁽³⁾ (as defined below)	12,581,143	1.60
	Personal interest/ Spouse interest ⁽¹⁾ Interest in persons acting in concert ⁽²⁾		122,495,571	15.59
			393,466,542	50.10
Mr. NG Ngan Ho	Interest in a controlled corporation	Linkall ⁽⁴⁾ (as defined below)	25,195,745	3.20
		Full Guang ⁽³⁾ (as defined below)	12,581,143	1.60
	Personal interest Interest in persons acting in concert ⁽²⁾		1,343,100	0.17
			535,537,940	68.20
Ms. LI Pik Yung	Personal interest		148,328	0.01
Mr. WANG Mohan	Personal interest		62,000	0.01

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (1) Tan Sri Datuk TUNG Ching Sai, J.P. is the beneficial owner of all the issued share capital of Copark Investment Limited ("**Copark**"), a company incorporated in the British Virgin Islands (the "**BVI**") and wholly-owned by Tan Sri Datuk TUNG Ching Sai, J.P., which is the registered owner of 46,114,672 Shares. Tan Sri Datuk TUNG Ching Sai, J.P. also has personal interest in 527,802 Shares held in his own name and 121,967,769 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. Full Guang is owned by Dr. LEE Yin Yee, S.B.S., B.B.S., M.H. 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 25,195,745 Shares.

(ii) *Share options of the Company*

Name of Director	Capacity	Number of share options outstanding	Approximate percentage of the issued share capital of the Company (%)
Ms. LI Pik Yung	Personal interest	233,805	0.02
Mr. WANG Mohan	Personal interest	4,736,296	0.60

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

Save as disclosed above, as of 30 June 2023, 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) as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings concerning securities transaction set forth in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set forth in its code of conduct regarding securities transactions by directors throughout the 1H2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

As of 30 June 2023, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the Shares and underlying Shares 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, S.B.S., B.B.S., M.H.	Interest in a controlled corporation ⁽³⁾	132,990,198	16.93
	Interest in a controlled corporation ⁽⁴⁾	2,720,960	0.34
	Interest in a controlled corporation ⁽¹⁾	12,581,143	1.60
	Personal interest ⁽³⁾	41,311,215	5.26
	Interest in persons acting in concert ⁽²⁾	385,054,412	49.03
Mr. TUNG Ching Bor	Interest in a controlled corporation ⁽⁵⁾	48,878,216	6.22
	Interest in a controlled corporation ⁽¹⁾	12,581,143	1.60
	Personal interest ⁽⁵⁾	10,855,152	1.38
	Interest in persons acting in concert ⁽²⁾	502,343,417	63.97
Mr. LEE Sing Din	Interest in a controlled corporation ⁽⁶⁾	46,048,013	5.86
	Interest in a controlled corporation ⁽¹⁾	12,581,143	1.60
	Personal interest	3,769,755	0.48
	Interest in persons acting in concert ⁽²⁾	512,259,017	65.23
Mr. LI Ching Wai	Interest in a controlled corporation ⁽⁷⁾	21,323,578	2.71
	Interest in a controlled corporation ⁽¹⁾	12,581,143	1.60
	Interest in persons acting in concert ⁽²⁾	540,753,207	68.86

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. LI Man Yin	Interest in a controlled corporation ⁽⁸⁾	14,473,366	1.84
	Interest in a controlled corporation ⁽¹⁾	12,581,143	1.60
	Personal interest ⁽⁸⁾	1,876,710	0.23
	Interest in persons acting in concert ⁽²⁾	545,726,709	69.49
Mr. SZE Nang Sze	Interest in a controlled corporation ⁽⁹⁾	20,909,316	2.66
	Interest in a controlled corporation ⁽¹⁾	12,581,143	1.60
	Personal interest	1,212,420	0.15
	Interest in persons acting in concert ⁽²⁾	539,955,049	68.76
Mr. LI Ching Leung	Interest in a controlled corporation ⁽¹⁰⁾	14,287,863	1.81
	Interest in a controlled corporation ⁽¹⁾	12,581,143	1.60
	Personal interest/Spouse interest ⁽¹⁰⁾	6,270,935	0.79
	Interest in persons acting in concert ⁽²⁾	541,517,987	68.96
Madam TUNG Hai Chi	Interest in a controlled corporation ⁽⁴⁾	2,720,960	0.34
	Personal interest/Spouse interest ⁽¹¹⁾	571,936,968	72.83
Puan Sri Datin SZE Tan Hung	Personal interest/Spouse interest ⁽¹²⁾	574,657,928	73.18

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (1) The interests in the Shares are held through Full Guang. Full Guang is owned by Dr. LEE Yin Yee, S.B.S., B.B.S., M.H. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai, J.P. as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- (2) Pursuant to the Shareholders' Agreement, each of the parties has agreed to grant a right of first offer to the other parties if any of them intends to sell their Shares allotted to them under the Xinyi Glass Distribution (as defined in the prospectus of the Company dated 28 June 2016).
- (3) Dr. LEE Yin Yee, S.B.S., B.B.S., M.H.'s interests in 132,990,198 Shares are held through Realbest Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Dr. LEE Yin Yee, S.B.S., B.B.S., M.H.. Dr. LEE Yin Yee, S.B.S., B.B.S., M.H.'s interests in 41,311,215 Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.
- (4) Dr. LEE Yin Yee, S.B.S., B.B.S., M.H.'s interests in 2,720,960 Shares are held through Xin Yuen Investment Limited, a company incorporated in the BVI with limited liability, which was wholly-owned by Xin Wong Investment Limited ("**Xin Wong**"). Xin Wong is 50% owned by Dr. LEE Yin Yee, S.B.S., B.B.S., M.H. and 50% owned by his spouse, Madam TUNG Hai Chi.
- (5) Mr. TUNG Ching Bor's interests in 48,878,216 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 10,855,152 Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.
- (6) Mr. LEE Sing Din's interest in 46,048,013 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 21,323,578 Shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (8) Mr. LI Man Yin's interests in 14,473,366 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 1,876,710 Shares are held through a joint account with his spouse, Madam LI Sau Suet.
- (9) Mr. SZE Nang Sze's interests in 20,909,316 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 14,287,863 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 6,198,335 Shares held in his own name and 72,600 Shares held through his spouse, Madam DY Maria Lumin.
- (11) Madam TUNG Hai Chi's interests in 41,311,215 Shares are held through a joint account with her spouse, Dr. LEE Yin Yee, S.B.S., B.B.S., M.H. and 530,625,753 Shares are held through her spouse, Dr. LEE Yin Yee, S.B.S., B.B.S., M.H..
- (12) Puan Sri Datin SZE Tan Hung has personal interests in 121,967,769 Shares held in her own name and 452,690,159 Shares held through her spouse, Tan Sri Datuk TUNG Ching Sai, J.P..

Save as disclosed above, as of 30 June 2023, the Company had not been notified by any persons (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SHARE OPTION SCHEME

A share option scheme (the “**Scheme**”) was adopted by the shareholders of the Company at the annual general meeting held on 31 May 2017 and will be valid for a period of ten years from the date of adoption of the Scheme. The following table sets forth movements in the share options of the Company for the 1H2023:

	Grant date	Exercise price (HK\$)	Exercisable period	Number of share options					At 30/6/2023
				At 1/1/2023	Granted	Exercised	Cancelled	Lapsed	
Executive Directors									
Ms. LI Pik Yung	24/8/2020 ⁽⁴⁾	1,357	1/4/2023 - 31/3/2024	45,373	–	–	–	–	45,373
	11/5/2021 ⁽⁵⁾	4,655	1/4/2024 - 31/3/2025	45,373	–	–	–	–	45,373
	11/5/2022 ⁽⁶⁾	3,846	1/4/2025 - 31/3/2026	67,059	–	–	–	–	67,059
	9/5/2023 ⁽⁷⁾	3,000	1/4/2026 - 31/3/2027	–	76,000 ⁽¹⁾	–	–	–	76,000
Mr. WANG Mohan (appointed on 5 June 2023)	18/12/2020 ⁽³⁾	1,978	1/4/2024 - 31/3/2025	3,093,552	–	–	–	–	3,093,552
	11/5/2022 ⁽⁶⁾	3,846	1/4/2025 - 31/3/2026	42,674	–	–	–	–	42,674
	25/8/2022 ⁽⁶⁾	6,210	1/4/2025 - 31/3/2026	1,524,070	–	–	–	–	1,524,070
	9/5/2023 ⁽⁷⁾	3,000	1/4/2026 - 31/3/2027	–	76,000 ⁽¹⁾	–	–	–	76,000
Continuous contract employees	3/9/2019	1,135	1/4/2022 - 31/3/2023	88,010	–	(82,342) ⁽²⁾	–	(5,668)	–
	24/8/2020 ⁽⁴⁾	1,357	1/4/2023 - 31/3/2024	363,698	–	(66,512) ⁽³⁾	–	(12,375)	284,811
	18/12/2020 ⁽³⁾	1,978	1/4/2024 - 31/3/2025	6,496,459	–	–	–	–	6,496,459
	11/5/2021 ⁽⁵⁾	4,655	1/4/2024 - 31/3/2025	1,362,913	–	–	–	(127,867)	1,235,046
	11/5/2022 ⁽⁶⁾	3,846	1/4/2025 - 31/3/2026	1,433,642	–	–	–	(115,826)	1,317,816
	9/5/2023 ⁽⁷⁾	3,000	1/4/2026 - 31/3/2027	–	2,048,000 ⁽¹⁾	–	–	–	2,048,000
				<u>14,562,823</u>	<u>2,200,000</u>	<u>(148,854)</u>	<u>–</u>	<u>(261,736)</u>	<u>16,352,233</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

1. The closing price of the shares immediately before the date on which the options were granted on 9 May 2023 was HK\$2.740.
2. The weighted average closing price of shares immediately before the dates on which the options were exercised was HK\$3.911.
3. The weighted average closing price of shares immediately before the dates on which the options were exercised was HK\$3.366.
4. One third of the options shall vest on each of the year-end date of 2020, 2021 and 2022.
5. One third of the options shall vest on each of the year-end date of 2021, 2022 and 2023.
6. One third of the options shall vest on each of the year-end date of 2022, 2023 and 2024.
7. One third of the options shall vest on each of the year-end date of 2023, 2024 and 2025.

The number of share options available for grant under the Share Option Scheme was 37,204,749 as of 1 January 2023 and 35,266,485 as of 30 June 2023.

The number of Shares that may be issued in respect of the options granted under the Scheme during the 1H2023 divided by the weighted average number of the Shares in issue for the 1H2023 is 0.28%.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the 1H2023, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

NO COMPETING BUSINESS

The Company and Xinyi Solar Holdings Limited ("**Xinyi Solar**") (stock code: 00968), a company listed on the Main Board of the Stock Exchange, are both engaged in the provision of EPC Services. Xinyi Solar is controlled by certain Directors and controlling shareholders 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 of, during the 1H2023, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) or their respective associates (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete, either directly or indirectly, with the business of the Group or have any other conflicts of interests which any such person has or may have with the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set forth in Part 2 of Appendix 15 to the GEM Listing Rules. The Directors will continue to review its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company. During the 1H2023, the Company had complied with the applicable code provisions set forth in the CG Code.

DIVIDEND

The Board does not recommend the payment of dividend for the 1H2023 (1H2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AUDIT COMMITTEE

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

The unaudited interim results of the Company for the 1H2023 have not been reviewed by the external auditor but have been reviewed by the Audit Committee.

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

Hong Kong, 2 August 2023