Xinyi Automobile Glass Hong Kong Enterprises Limited
信 義 汽 車 玻 璃 香 港 企 業 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08328)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

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 the companies listed on GEM are generally 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of Xinyi Automobile Glass Hong Kong Enterprises 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 of Hong Kong Limited (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board (the "**Board**") of Directors of the Company is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**" or "**Xinyi Hong Kong**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Revenue	3	**202,882**	170,428
Cost of revenue		**(152,847)**	(124,424)
Gross profit		**50,035**	46,004
Other income	4	**6,077**	5,177
Other (losses)/gains, net	4	**(852)**	55,053
Impairment loss on a financial asset		**—**	(460)
Selling and marketing costs		**(4,845)**	(6,166)
Administrative expenses		**(26,912)**	(27,537)
Operating profit		**23,503**	72,071
Finance income	6	**4,668**	1,923
Finance costs	6	**—**	(532)
Profit before income tax	5	**28,171**	73,462
Income tax expense	7	**(3,149)**	(14,366)
Profit for the year		**25,022**	59,096
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of operations		**(5,530)**	(10,788)
Item that will not be subsequently reclassified to profit or loss			
Change in fair value of a financial asset at fair value through other comprehensive income, net of tax		**(303)**	5,761
		(5,833)	(5,027)
Total comprehensive income for the year attributable to owners of the Company		**19,189**	54,069
		HK Cents	*HK Cents*
Basic and diluted earnings per share attributable to owners of the Company for the year	8	**3.86**	9.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment		**140,481**	97,286
Leasehold land and land use rights		**—**	12,762
Intangible asset		**3,185**	4,063
Financial asset at fair value through other comprehensive income		**13,448**	14,084
Prepayments for plant and equipment	11	**12,908**	1,035
Deferred tax assets		**746**	—
		170,768	129,230
Current assets			
Inventories		**31,134**	39,472
Contract assets, trade and other receivables and prepayments	11	**70,978**	62,567
Cash and cash equivalents		**220,882**	213,887
		322,994	315,926
Current liabilities			
Contract liabilities, trade and other payables	12	**48,665**	56,527
Provision for tax		**7,506**	11,749
Lease liabilities		**5,553**	—
Bank borrowings		**30,000**	—
		91,724	68,276
Net current assets		**231,270**	247,650
Total assets less current liabilities		**402,038**	376,880
Non-current liabilities			
Lease liabilities		**6,239**	—
Deferred tax liabilities		**—**	406
		6,239	406
Net assets		**395,799**	376,474
EQUITY			
Share capital		**6,481**	6,481
Reserves		**389,318**	369,993
Total equity		**395,799**	376,474

NOTES:

1. General information

Xinyi Automobile Glass Hong Kong Enterprises Limited (the "**Company**") was incorporated in the Cayman Islands on 18 November 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1- 1108, Cayman Islands.

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

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

These consolidated financial statement are presented in thousands of Hong Kong dollars ("**HK$'000**") unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 February 2020.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

2.1 Adoption of new or revised HKFRSs – effective 1 January 2019

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs

The impact of the adoption of HKFRS 16 *Leases* have been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

Adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

New definition of leases

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, for all leases (irrespective of they are operating leases or finance leases and except for short-term leases and leases of low-value assets), the Group is required to: (a) recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments; (b) recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income; and (c) separately present the total amount of cash paid into a principal portion and interest within financing activities and operating activities in the consolidated statement of cash flows. Under HKFRS 16, right-of-use assets are tested for impairment in accordance with HKAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

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

Transitions

The Group has applied HKFRS 16 using the modified retrospective approach with a date of initial application of 1 January 2019, under which the cumulative effect of initial application is recognised as at 1 January 2019. As a result, the comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as at 1 January 2019.

The Group has elected to recognise the right-of-use assets as at 1 January 2019 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. Leasehold land and land use rights are reclassified and recognised as right-of-use assets under HKFRS 16. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets as at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application and accounted for those leases as short-term leases; (iii) excluded the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

Impact to the consolidated financial statements

As mentioned above, the Group has applied HKFRS 16 using modified retrospective approach from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognised in the opening balances on 1 January 2019.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	1 January 2019
	HK$'000
Increase in right-of-use assets	28,459
Decrease in leasehold land and land use rights	(12,762)
Increase in lease liabilities (current portion)	6,093
Increase in lease liabilities (non-current portion)	9,604

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	19,055
Less: Short-term leases recognised on a straight-line basis as expense	(734)
	18,321
Discounting effect	(2,624)
Lease liabilities as a result of the initial application of HKFRS 16 as at 1 January 2019	15,697
Add: Reclassification of leasehold land and land use rights	12,762
Right-of-use assets recognised as at 1 January 2019	28,459

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 4.42% p.a.

HK(IFRIC)-Int 23 - Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 - Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

Amendments to HKFRS 3	Definition of a Business[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 HKAS 1 and HKAS 8	Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020

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

Amendments to HKFRS 3 – Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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. Segment information

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

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

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

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

(a) Segment results

	Year ended 31 December 2019				
	Battery pack and energy storage system	**Production and sales of lithium battery**	**Automobile glass repair and replacement services**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Reportable segment revenue	**79,716**	**80,535**	**50,537**	**33,334**	**244,122**
Inter-segment revenue	**—**	**(41,240)**	**—**	**—**	**(41,240)**
Revenue from external customers	**79,716**	**39,295**	**50,537**	**33,334**	**202,882**
Timing of revenue recognition					
– At a point of time	**59,416**	**39,295**	**50,537**	**31,655**	**180,903**
– Over time	**20,300**	**—**	**—**	**1,679**	**21,979**
	79,716	**39,295**	**50,537**	**33,334**	**202,882**
Cost of revenue	**(52,543)**	**(37,985)**	**(38,112)**	**(24,207)**	**(152,847)**
Gross profits	**27,173**	**1,310**	**12,425**	**9,127**	**50,035**
Depreciation charge of plant and equipment	**1,091**	**11,119**	**5,280**	**25**	**17,515**
Amortisation charge of intangible asset	**811**	**—**	**—**	**—**	**811**

	Year ended 31 December 2018				
	Battery pack and energy storage system	Production and sales of lithium battery	Automobile glass repair and replacement services	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue	80,644	77,118	56,119	14,285	228,166
Inter-segment revenue	—	(57,738)	—	—	(57,738)
Revenue from external customers	80,644	19,380	56,119	14,285	170,428
Timing of revenue recognition					
– At a point of time	51,281	19,380	56,119	12,500	139,280
– Over time	29,363	—	—	1,785	31,148
	80,644	19,380	56,119	14,285	170,428
Cost of revenue	(56,980)	(19,349)	(36,859)	(11,236)	(124,424)
Gross profits	23,664	31	19,260	3,049	46,004
Depreciation charge of plant and equipment	1,151	7,715	1,318	19	10,203
Amortisation charge of leasehold land and land use rights and intangible asset	74	—	300	—	374

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

	2019	2018
	HK$'000	*HK$'000*
Segment gross profits	**50,035**	46,004
Unallocated items:		
Other income	**6,077**	5,177
Other (losses)/gains, net	**(852)**	55,053
Impairment loss on a financial asset	**—**	(460)
Selling and marketing costs	**(4,845)**	(6,166)
Administrative expenses	**(26,912)**	(27,537)
Finance income	**4,668**	1,923
Finance costs	**—**	(532)
Profit before income tax	**28,171**	73,462

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

	Battery pack and energy storage system	**Production and sales of lithium battery**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 31 December 2019				
Revenue from				
– Entities under common control of a related party	**28,127**	**—**	**3,345**	**31,472**
– Customer A	**21,778**	**34,091**	**—**	**55,869**
Year ended 31 December 2018				
Revenue from				
– Entities under common control of a related party	47,596	—	2,817	50,413
– Customer A	18,455	19,203	—	37,658

(b) **Disaggregation of revenue from contract with customers**

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

	2019	2018
	HK$'000	*HK$'000*
The PRC	**150,982**	114,309
Hong Kong	**50,537**	56,119
Others	**1,363**	—
	202,882	170,428

(c) **Segment assets and liabilities**

	Year ended 31 December 2019				
	Battery pack and energy storage system	**Production and sales of lithium battery**	**Automobile glass repair and replacement services**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Total assets	**81,826**	**256,970**	**123,598**	**26,924**	**489,318**
Total assets included:					
Additions to non-current assets during the year (other than financial instruments and deferred tax assets)	**864**	**40,743**	**4,321**	**1,380**	**47,308**
Total liabilities	**(9,781)**	**(40,905)**	**(13,975)**	**(2,014)**	**(66,675)**

	Year ended 31 December 2018				
	Battery pack and energy storage system	Production and sales of lithium battery	Automobile glass repair and replacement services	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	94,731	197,273	43,709	24,862	360,575
Total assets included:					
Additions to non-current assets during the year (other than financial instruments)	9,271	11,032	308	4,326	24,937
Total liabilities	(15,156)	(44,338)	(7,177)	(1,050)	(67,721)

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

	Assets		**Liabilities**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets/(liabilities)	**489,318**	360,575	**(66,675)**	(67,721)
Unallocated items:				
Prepayments, deposits and other receivables	**20**	169	**—**	—
Cash and cash equivalents	**4,424**	84,412	**—**	—
Bank borrowings	**—**	—	**(30,000)**	—
Other creditors and accruals	**—**	—	**(1,288)**	(961)
Total assets/(liabilities)	**493,762**	445,156	**(97,963)**	(68,682)

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

	2019	2018
	HK$'000	*HK$'000*
The PRC	**138,788**	103,376
Hong Kong	**17,786**	11,770
	156,574	115,146

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

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

	2019	2018
	HK$'000	*HK$'000*
Contract assets:		
– Production and sales of and contract processing services for battery pack and energy storage system	**—**	6,533
Contract liabilities:		
– Production and sales of and contract processing services for battery pack and energy storage system	**—**	672
– Others	**1,708**	1,705
	1,708	2,377

(i) Significant changes in contract assets and liabilities

Contract assets have been decreased by HK$6,533,000 (2018: increased by HK$6,533,000) relating to the Group's contract processing services during the year upon completion of the contract.

Contract liabilities have been decreased by HK$669,000 (2018: increased by HK$1,977,000) during the year upon completion of the contract. The remaining contract liabilities represented receipt-in-advance as at 31 December 2019.

(ii) Revenue recognised in relation to contract liabilities

Revenue of HK$2,271,000 (2018: HK$400,000) is recognised in relation to contract liabilities in the year.

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

4. Other income and other (losses)/gains, net

	2019	2018
	HK$'000	*HK$'000*
Other income		
Government grants (Note (a))	**5,638**	5,159
Others	**439**	18
	6,077	5,177
Other (losses)/gains, net		
Net gains on disposal of old facilities, scrapped materials or plant and equipment (Note (b))	**351**	55,825
Exchange losses	**(1,203)**	(772)
	(852)	55,053

Notes:

(a) Government grants mainly represent grants obtained from the PRC government in relation to the factory rental subsidy and tax subsidy.

(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). In 2018, the Group has acquired certain long-term non-financial assets which include old production facilities, in which the Group acquired the old production facilities ("**Related Assets**") with a view to dispose. In 2018, the gain mainly represents the disposal proceeds of the Related Assets from independent third parties netted with the respective carrying value. Given there was no unfulfilled conditions attached to such acquisition, a non-monetary assistance, approximately the amount of the disposal gain, was netted off with the relative fair value of the Related Assets in arriving at the initial carrying value of the Related Assets recognised in the consolidated statement of financial position in accordance with HKFRSs.

5. Profit before income tax

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories	**93,110**	67,644
Write-off and provision for impairment of inventories	**881**	2,007
Auditor's remuneration	**700**	1,100
Depreciation charge:		
– Plant and equipment owned	**10,912**	10,203
– Right-of-use assets	**6,603**	—
Amortisation charge	**811**	374
Employee benefits expense (including directors' emoluments)	**42,156**	43,867
Expense relating to short-term leases	**1,205**	—
Operating lease charges in respect of rented premises	**—**	7,400
Research and development expenses	**8,490**	7,396

6. Finance income and costs

	2019	2018
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**4,668**	1,923
Finance costs		
Interest on bank borrowings	**67**	852
Interest on lease liabilities	**714**	—
Less: amounts capitalised (Note)	**(781)**	(320)
	—	532

Note:

The capitalisation rate of 4.80% (2018: 2.82%) used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year.

7. Income tax expense

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**652**	1,728
– PRC Corporate Income Tax	**3,597**	14,335
	4,249	16,063
Overprovision in prior year	**—**	(202)
Deferred tax	**(1,100)**	(1,495)
	3,149	14,366

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

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% (2018: 15%). Other subsidiaries of the Group in the PRC are subject to standard tax rate of 25% (2018: 25%). Provision for the PRC Corporate Income Tax is calculated at 15% - 25% (2018: 15% - 25%) on estimated assessable profit for the year ended 31 December 2019.

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 year (2018: weighted average number of ordinary shares in issue during the year, as adjusted for bonus elements in ordinary shares issued as a result of the rights issue completed in May 2018).

	2019	2018
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**25,022**	59,096
	('000)	*('000)*
Weighted average number of ordinary shares in issues	**648,136**	613,876
	HK Cents	*HK Cents*
Basic earnings per share	**3.86**	9.63

(b) Diluted earnings per share

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

For the year ended 31 December 2019, the outstanding share options were anti-dilutive.

For the year ended 31 December 2018, the Company had dilutive potential ordinary shares from share options. The calculation for share options was determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds was the number of shares issued for no consideration. The resulting number of shares issued for no consideration was included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2019	2018
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**25,022**	59,096
	('000)	*('000)*
Weighted average number of ordinary shares in issues	**648,136**	613,876
Adjustment for share options	**—**	26
	648,136	613,902
	HK Cents	*HK Cents*
Diluted earnings per share	**3.86**	9.63

10. Dividends

No final dividend was proposed during the year (2018: Nil).

11. Contract assets, trade and other receivables and prepayments

	2019	2018
	HK$'000	*HK$'000*
Trade receivables (Note (a))		
– Third parties	**39,471**	16,085
– Related companies	**1,867**	3,533
Less: Loss allowance	**(431)**	(442)
	40,907	19,176
Contract assets	**—**	6,533
Bills receivables (Note (b))	**18,132**	29,031
Prepayments	**15,454**	2,135
Value-added tax recoverable	**2,701**	1,535
Deposits and other receivables	**6,692**	5,192
	83,886	63,602
Less: Non-current portion	**(12,908)**	(1,035)
Current portion	**70,978**	62,567

(a) Trade receivables

Majority of credit period granted by the Group to its customers is 30 to 90 days (2018: 30 to 60 days). Ageing analysis of the Group's trade receivables based on the invoiced date was as follows:

	2019	2018
	HK$'000	*HK$'000*
0 – 90 days	**37,863**	9,141
91 – 180 days	**2,221**	9,346
181 – 365 days	**573**	94
Over 365 days	**250**	595
	40,907	19,176

(b) Bills receivables

The maturity dates of bills receivables are within 12 months (2018: 12 months).

12. Contract liabilities, trade and other payables

	2019	2018
	HK$'000	*HK$'000*
Trade payables (Note (a))		
– Third parties	**13,497**	8,043
– Related companies	**2,862**	953
	16,359	8,996
Contract liabilities	**1,708**	2,377
Accrued salaries and bonus	**13,232**	11,994
Other payables for purchase of plant and equipment and land use right	**11,215**	23,993
Other creditors and accruals	**5,036**	3,474
Retention payables for disposal of old facilities or scraps	**1,115**	5,693
	48,665	56,527

(a) Trade payables

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**13,502**	7,821
31 – 90 days	**1,899**	736
91 – 180 days	**788**	344
Over 180 days	**170**	95
	16,359	8,996

13. Bank borrowings

Bank borrowings represent the revolving loan drawn by the Group which are due for repayment within one year. The carrying amounts of the Group's bank borrowings approximate their fair values and are denominated in HK$. As at 31 December 2019, the effective interest rate of the bank borrowings was 3.9% per annum. As at 31 December 2019, the Group has undrawn borrowing facilities of HK$80,000,000 (2018: HK$60,000,000), which are facilities subject to periodic review.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The Group has production facilities for lithium battery products in the Wuhu City, Anhui Province, China, which commenced commercial sales of lithium battery products in the third quarter of 2017. Products of the Group are delivered for sale mainly in integrated systems comprising lithium batteries, battery management systems, and/or other components such as energy management systems and power conditioning systems. The Group is engaged in the development, processing and sales of energy storage facilities with lithium batteries, including without limitation to large-scale power banks for manufacturing facilities to facilitate load shifting and power stabilization, UPS and micro energy storage products. The Group also engaged in the provision of contract processing services of battery packs and energy storage products to its customers. Several of the Group's customers of power batteries and battery pack system have been engaged in the production of forklifts. The Group has also agreed with some customers to source from them forklifts for the trading of forklift business, contributing an additional source of revenue for the Group. The Group is setting up a production plant for lithium battery and energy storage products in Zhangjiagang, Jiangsu Province, China, with commercial production expected to start in the fourth quarter of 2020.

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

Since the third quarter of 2017, the Group has been providing wind farm management services to Xinyi Wind Power (Jinzhai) Company Limited, a company in which the Group has been holding 18% equity interest.

The Group recorded satisfactory results for the year of 2019. Sales increased by 19.0% from HK$170.4 million in 2018 to HK$202.9 million in 2019. The profit attributable to owners of the Company decreased by 57.7% from HK$59.1 million in 2018 to HK$25.0 million in 2019. The decrease was primarily due to the lack of other gains of HK$55.1 million which was recorded during the year ended 31 December 2018.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group's revenue was HK$202.9 million (2018: HK$170.4 million), representing an increase by 19.0% mainly attributable to the change in revenue contributed by business segments analysed as follows:

Revenue — by segment

	Year Ended 31 December					
	2019		2018		Increase/(decrease)	
	HK$'million	*%*	*HK$'million*	*%*	*HK$'million*	*%*
Battery pack and energy storage system	**79.7**	**39.3**	80.6	47.3	(0.9)	(1.2)
Production and sales of lithium battery products	**39.3**	**19.4**	19.4	11.4	19.9	102.8
Automobile glass repair and replacement services	**50.6**	**24.9**	56.1	32.9	(5.5)	(9.9)
Others (Trading of forklift and wind farm related business)	**33.3**	**16.4**	14.3	8.4	19.0	132.9
Total revenue	**202.9**	**100.0**	170.4	100.0	32.5	19.0

Revenue — by geographical area

	Year Ended 31 December					
	2019		2018		Increase/(decrease)	
	HK$'million	*%*	*HK$'million*	*%*	*HK$'million*	*%*
Mainland China	**151.0**	**74.4**	114.3	67.1	36.7	32.1
Hong Kong	**50.5**	**24.9**	56.1	32.9	(5.6)	(9.9)
Others	**1.4**	**0.7**	—	—	1.4	N/A
	202.9	**100.0**	170.4	100.0	32.5	19.0

Cost of revenue and gross profit

Cost of revenue comprised of HK$52.5 million (2018: HK$57.0 million) arising from the battery pack and energy storage system business, HK$38.0 million (2018: HK$19.3 million) arising from lithium battery products business, HK$38.1 million (2018: HK$36.9 million) arising from the automobile glass repair and replacement services business, HK$24.2 million (2018: HK$11.2 million) arising from others (trading of forklifts and wind farm related business).

Cost of revenue for the battery pack and energy storage system business of HK$52.5 million (2018: HK$57.0 million) and cost of revenue of lithium battery products business of HK$38.0 million (2018: HK$19.3 million) mainly represented the material cost, labour cost, depreciation expenses. The gross profit of battery pack and energy storage system business increased by approximately 14.8% from HK$23.7 million for the year ended 31 December 2018 to HK$27.2 million for the year ended 31 December 2019. The gross profit of lithium battery products business increased by 4,125.8% from HK$0.03 million for the year ended 31 December 2018 to HK$1.3 million for the year ended 31 December 2019. The increase in gross profits was due to effective cost control measures implemented and higher production level of lithium batteries which reduced unit cost.

Cost of revenue arising from automobile glass repair and replacement services increased by approximately 3.4% from HK$36.9 million for the year ended 31 December 2018 to approximately HK$38.1 million for the year ended 31 December 2019. The gross profit decreased by 35.5% from approximately HK$19.3 million for the year ended 31 December 2018 to approximately HK$12.4 million for the year ended 31 December 2019. The increase in cost of revenue arose form the increase in the rental and the other overhead expenses (including labour costs), and provision/write-off for inventories.

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

Other income

Other income included HK$5.6 million (2018: HK$5.2 million) government grants which were mainly factory rental subsidy and tax subsidy from the PRC government.

Other (losses)/gains, net

Other losses for the year ended 31 December 2019 mainly represented the exchange losses. Other gains for the year ended 31 December 2018 mainly included the net gains on disposal of old facilities, scraps or plant and equipment arising from the site preparation of the lithium battery production plant under construction.

Expenses

Selling and marketing costs for the year ended 31 December 2019 decreased by approximately HK$1.3 million which was mainly due to the decrease in advertisement and marketing costs.

Administrative expenses decreased by approximately HK$0.6 million from HK$27.5 million for the year ended 31 December 2018 to approximately HK$26.9 million for the year ended 31 December 2019, primarily due to the decrease in professional fee of HK$0.9 million.

Finance costs

The Group's finance costs decreased from HK$0.5 million (or HK$0.9 million before capitalisation) for the year ended 31 December 2018 to nil (or HK$0.8 million before capitalisation) for the year ended 31 December 2019. The decrease was mainly attributable to the lower weighted average carrying amount of bank borrowings during the year to finance the capital expenditures for its lithium battery production facilities and higher amounts eligible for capitalisation. During the year under review, interest expense of HK$0.8 million (2018: HK$0.3 million) was capitalised into the construction costs of the lithium battery production facilities. The capitalised amounts will depreciate together with the relevant assets over their estimated useful lives.

Income tax expense

The Group incurred income tax expense of HK$3.1 million for the year ended 31 December 2019 (2018: HK$14.4 million), which represented Hong Kong profits tax and PRC corporate income tax. The effective tax rate was 11.2% for the year ended 31 December 2019 (2018: 19.6%). One of the PRC subsidiaries, being qualified as New and High Technology Enterprise, is entitled to a preferential Corporate Income Tax rate of 15% and tax incentives for research and development tax credit.

Profit before income tax and net profit for the year

The Group recorded profit before income tax for the year ended 31 December 2019 of HK$28.2 million (2018: HK$73.5 million). This was mainly attributable to the performance of the Group as analysed above.

The profit attributable to owners of the Company decreased by 57.7% from HK$59.1 million in 2018 to HK$25.0 million in 2019.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2019, the Group's primary sources of funding included its own working capital, the net proceeds from the Rights Issue in May 2018 and bank borrowings. As at 31 December 2019, the Group had net current assets of HK$231.3 million (31 December 2018: HK$247.7 million) and cash and cash equivalents of HK$220.9 million (31 December 2018: HK$213.9 million) which were placed with major banks in Hong Kong and the PRC. As at 31 December 2019, the Group had bank borrowings of HK$30 million (31 December 2018: Nil) and had unutilised banking facilities of HK$80 million (31 December 2018: HK$60 million).

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

CAPITAL STRUCTURE

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

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK$47.3 million for year ended 31 December 2019 (2018: HK$24.9 million) which was mainly related to the development and construction of lithium battery production facilities in the PRC.

Capital commitments contracted but not provided for by the Group as at 31 December 2019 amounted to HK$139.7 million (31 December 2018: HK$1.9 million), which were mainly related to the purchase of various production plants and machinery for the lithium battery plant in the PRC from independent third parties under different independent contracts.

PLEDGE OF ASSETS

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

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 266 (31 December 2018: 269) full-time employees of whom 206 (31 December 2018: 213) were based in the PRC and 60 (31 December 2018: 56) were based in Hong Kong. The total staff costs, including the emoluments of the Directors, amounted to HK$49.7 million (2018: HK$50.7 million) for the year ended 31 December 2019. The Group maintains good relationships with all of its employees. It provides the employees with sufficient training in business and professional knowledge including information about the applications of the Group's products and skills in maintaining good customer relationships. Remuneration packages offered to the Group's employees have been consistent with the prevailing market terms and are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

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

FINAL DIVIDEND

The Directors did not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

Amid the recent depreciation of RMB against HK$, the Group reported non-cash translation loss – a decrease in the reserve of its consolidated statement of financial position of HK$5.5 million (2018: HK$10.8 million), when converting RMB-denominated assets and liabilities into HK$ at 31 December 2019.

The Group transacts mainly in HK$ and RMB. However, the Group retains some bank balances in HK$ in PRC which contributed to a foreign currency translation loss of approximately HK$1.2 million (2018: HK$0.8 million) as HK$ fluctuates against RMB during the year ended 31 December 2019.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. During the year ended 31 December 2019, the Group did not use any financial instrument for hedging purpose.

USE OF PROCEEDS OF RIGHTS ISSUE

In May 2018, the Company raised net proceeds of approximately HK$198.9 million by way of Rights Issue of 108,022,591 Shares. The table below sets out the proposed applications of the net proceeds, the actual utilisation up to 31 December 2019 and the expected utilisation for the year ending 31 December 2020:

	Proposed applications of the net proceeds	Amount utilised up to 31 December 2019	Unutilised balance as at 31 December 2019	Expected amount to be utilised for the year ending 31 December 2020	Expected unutilised balance as at 31 December 2020
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Set-up new production lines for lithium batteries business	135.4	46.6	88.8	88.8	—
Repay the outstanding capital expenditure of the existing lithium battery production facilities	24.7	24.7	—	—	—
General working capital	38.8	38.8	—	—	—
Total	198.9	110.1	88.8	88.8	—

The amount proposed for the repayment of the outstanding capital expenditure of existing lithium battery production facilities of HK$24.7 million and for general working capital purpose of HK$38.8 million were fully utilised as intended. As at 31 December 2019, the remaining balance of HK$88.8 million proposed to be used for the set-up of new production lines for the lithium battery business had yet to be utilised as the construction works of the factory building and the set-up of the production lines (including site preparation and formation, building design, layout design of the production lines, and selection and tendering of related equipment) have required longer period of time for completion. The remaining amount of net proceeds from the Rights Issue is expected to be fully utilised by 31 December 2020.

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

As at 31 December 2019, there were no significant investments held which exceed 5% of the total assets of the Group. There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2019. Save as the disclosed plan to set up the new lithium battery production line in Zhangjiagang, Jiangsu Province, China, there were no other plans authorised by the Board for any material investments or additions of capital assets as at the date of this announcement.

CONTINGENT LIABILITIES

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

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2019 and up to the date of this announcement.

BUSINESS REVIEW

Battery Packs and Energy Storage Systems and Lithium Battery Products Businesses — Fully utilises industry chain advantage to realise integrated business; Continues to upgrade and develop products to seize market opportunities

Subsequent to the commencement of lithium batteries production since 2017, the Group has also launched battery packs, energy storage systems and various battery products which have become its profit growth drivers. The Group provides integrated system products and solutions with self-produced lithium batteries as the core. These self-produced lithium batteries are for both internal use and external sales. As the Group produces batteries, the main component of battery packs and energy storage systems, and has started its own self-development and design of battery management systems (“BMS”) partially, it has been able to control key costs of the systems more effectively and to fully utilise its business chain advantage and realise integrated R&D, design, production, system integration and service functions from lithium batteries to battery packs and energy storage systems. In addition, the Group stepped up its investment in the early stage of forklift electrification and energy storage commercialisation, which has already generated fruitful results. All these achievements have made Xinyi Hong Kong one of the main suppliers of lithium batteries in the forklift industry in China and one of the major lithium battery energy storage technology suppliers in China.

Facing the intense competition in the lithium battery and energy storage industry during the year ended 31 December 2019, the Group still managed to achieve growth in both sales revenue and gross margin through implementing measures such as expanding sales channels, improving the quality of its existing products and solutions to enhance market competiveness and strictly control costs. For the year ended 31 December 2019, total revenue and gross profit from battery packs and energy storage systems business and lithium battery products business climbed by 19.0% and 20.2% respectively, accounting for 58.7% and 56.9% of the Group's annual total revenue and gross profit respectively.

The Group has strived to expand its customer base of forklift battery packs and other products. During the year, it entered into partnerships with additional forklift manufacturers, dealers and rental companies in relation to battery packs and battery supply. The proportion of sales revenue from batteries increased, mainly attributable to the stronger demand from a small number of forklift manufacturers which drove the production and sales of the business segment. Although the gross margin of battery sales is lower than that of systems products, the battery business still plays a positive role in boosting the gross margin of battery packs, energy storage systems and different battery products owing to its increasing output which helps lower unit cost of the products. In addition, the Group strived to develop new battery packs and energy storage system products. In the year ended 31 December 2019, it introduced micro energy storage products to the market. The Group also responded to customer demand and gradually ramped up mass production of batteries with different capacities and designs for industrial vehicles including forklifts. Besides, the Group made significant progress in the R&D of BMS. Its self-developed BMS have been used in industrial energy storage products, and will gradually be expanded to other products including uninterruptible power supplies (UPS) and forklifts.

Automobile Glass Repair and Replacement Business — Continues to generate cash flow and supports core business development

During the year ended 31 December 2019, the overall business environment in Hong Kong was relatively challenging. Local consumption was weak while investment and spending shrank, and thus the Group's business performance in Hong Kong was inevitably affected. After continuous revenue growth over the years, revenue from local business decreased by 9.9% in 2019. The decrease was mainly due to the drop in revenue from customers which were not covered by insurance, such as coach companies, garages or individual clients. However, benefitting from stronger cooperation with insurance companies in recent years, revenue from insured vehicles slightly increased. Despite lower revenue and gross profit, this arm continued to generate decent cash flow to the Group and supported the development of its core businesses.

BUSINESS OUTLOOK

In 2020, the economic outlook of Mainland China and Hong Kong presents myriad uncertainties and challenges. In the short term, it is expected that the business environment will continue to be affected by the novel coronavirus outbreak, global economic growth slowdown and social events' impact in Hong Kong, but the Group's long-term prospects remain sound. Its operations will remain market-oriented, keeping abreast of the latest trends of market and customer demand. The Group will remain alert on the latest technological developments in the industry and actively optimise its product mix to strengthen its core competitiveness. The factory in Zhangjiagang is currently under construction and is expected to start production in the fourth quarter of 2020. This new factory will boast higher automation and the batteries being manufactured will mainly be square aluminium shell batteries. Besides, as national polices encourage companies to save energy and reduce emissions, lithium battery-powered forklifts are quickly replacing those powered by traditional internal combustion and lead-acid in China, driving the demand for lithium batteries in the forklift segment to increase rapidly. The Group expects battery packs and battery products to continuously benefit from this fast-growing market.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles of the Corporate Governance Code (the "**CG Code**") as set forth in 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. For the year ended 31 December 2019, the Company had complied with the applicable code provisions set forth in the CG Code.

AUDIT COMMITTEE

The Company established an audit committee of the Board (the "**Audit Committee**") on 25 June 2016 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group, nominate and monitor external auditors and provide advice and comments to the Board on matters related to corporate governance. The members of the Audit Committee include three independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, B.B.S., JP. Mr. WANG Guisheng is the chairman of the Audit Committee.

The audited consolidated financial statements of the Group for the year ended 31 December 2019 has been reviewed by the Audit Committee.

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 with all Directors, the Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions by directors for the year ended 31 December 2019.

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

For the year ended 31 December 2019, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPETING BUSINESS

During the year ended 31 December 2019, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) or their respective associates (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete, either directly or indirectly, with the business of the Group or have any other conflicts of interests which any such person has or may have with the Group. Hence, the Deed of Non-Competition (as defined in the Prospectus) has been duly complied with.

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF FINAL RESULTS

This announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the financial year ended 31 December 2019 containing all the information required by the GEM Listing Rules and other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

FIGURES IN PRELIMINARY ANNOUNCEMENT AGREED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

By order of the Board
Xinyi Automobile Glass Hong Kong Enterprises Limited
Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M*
Chairman

Hong Kong, 25 February 2020

The English text of this announcement shall prevail over the Chinese text in case of inconsistencies.

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

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