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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 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. 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.*

FINANCIAL HIGHLIGHTS

	Year ended		
	31 December		
	2022	2021	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	1,066,247	506,187	+110.6%
Profit attributable to owners of the Company	45,898	62,629	-26.7%
Earnings per share - Basic	6.15 HK cents	9.34 HK cents*	-34.2%

* Basic earnings per share for the year ended 31 December 2021 has been restated to take into account of the effects of the rights issue of the Company completed in September 2022.

The board (the “**Board**”) of Directors is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	1,066,247	506,187
Cost of revenue		(900,916)	(380,048)
Gross profit		165,331	126,139
Other income	4	6,544	35,986
Other gains, net	4	4,875	813
Impairment loss on financial assets		(1,565)	(3,871)
Selling and marketing costs		(18,947)	(11,908)
Administrative expenses		(78,086)	(61,995)
Share of results of an associate		(5)	(4)
Operating profit		78,147	85,160
Finance income	6	3,441	1,795
Finance costs	6	(4,781)	—
Profit before income tax	5	76,807	86,955
Income tax expense	7	(21,877)	(20,634)
Profit for the year		54,930	66,321
Other comprehensive income:			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of financial statements of operations		(74,964)	11,785
<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		3,724	5,948
		(71,240)	17,733
Total comprehensive income for the year		(16,310)	84,054
Profit for the year attributable to:			
– owners of the Company		45,898	62,629
– non-controlling interests		9,032	3,692
		54,930	66,321
Total comprehensive income attributable to:			
– owners of the Company		(24,319)	80,421
– non-controlling interests		8,009	3,633
		(16,310)	84,054
		<i>HK Cents</i>	<i>HK Cents</i> (Restated)
Earnings per share attributable to owners of the Company for the year			
– Basic	8	6.15	9.34
– Diluted	8	6.11	9.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	<i>Notes</i>	<u>2022</u>	<u>2021</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		628,091	370,545
Intangible assets		23,686	11,716
Financial asset at fair value through other comprehensive income		25,440	23,244
Interests in an associate		303	308
Trade receivables	10	—	7,456
Finance lease receivables	10	183,544	53,763
Prepayments for property, plant and equipment	10	105,199	8,308
		<u>966,263</u>	<u>475,340</u>
Current assets			
Inventories		519,419	180,017
Contract assets, trade and other receivables and prepayments	10	628,183	352,032
Income tax recoverable		1,872	474
Pledged bank deposits		26,204	7,054
Cash and cash equivalents		162,055	433,154
		<u>1,337,733</u>	<u>972,731</u>
Current liabilities			
Contract liabilities, trade and other payables	11	774,173	414,658
Provision for tax		7,810	18,760
Lease liabilities		5,804	5,564
Bank borrowings	12	208,423	105,000
		<u>996,210</u>	<u>543,982</u>
Net current assets		<u>341,523</u>	<u>428,749</u>
Total assets less current liabilities		<u>1,307,786</u>	<u>904,089</u>
Non-current liabilities			
Lease liabilities		4,431	3,139
Bank borrowings	12	130,601	122,343
Deferred tax liabilities		22,264	9,273
		<u>157,296</u>	<u>134,755</u>
Net assets		<u>1,150,490</u>	<u>769,334</u>
EQUITY			
Share capital		7,851	7,133
Reserves		1,119,262	746,833
		<u>1,127,113</u>	<u>753,966</u>
Non-controlling interests		23,377	15,368
Total equity		<u>1,150,490</u>	<u>769,334</u>

NOTES:

1. General information

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

The Company is an investment holding company and its subsidiaries are principally engaged in the automobile glass repair and replacement business in Hong Kong and the production and sales of electric storage products and 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.

The shares of the Company have been listed on GEM of the Stock Exchange since 11 July 2016.

These consolidated financial statements are presented in thousands of Hong Kong dollars (“**HK\$’000**”) unless otherwise stated. These consolidated financial statements have been approved and authorised for issue by the Board on 20 March 2023.

2. Adoption of Hong Kong Financial Reporting Standards (“**HKFRSs**”)

2.1 Adoption of new or revised HKFRSs – effective 1 January 2022

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Provisions, Contingent liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract

Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments resulted in recognition of proceeds from selling PV Films of HK\$76,977,000 and the cost of producing those items of HK\$84,298,000 in profit or loss before the related property, plant and equipment is available for use.

Amendments to HKAS 37, Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

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 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) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
HKFRS 17	Insurance Contracts ¹

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

² Effective for annual periods beginning on or after 1 January 2024.

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

The Directors anticipate that the application of these new or amended HKFRSs will have no material impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

3. 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).

- Electric storage business** : The Group is engaged in the manufacturing business of lithium battery products and the development and sales 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 and power banks for households in the PRC.
- EPC Services** : The Group is engaged in the provision of EPC Services for photovoltaic power stations in the PRC and Canada.
- PV Films** : The Group is engaged in the production and sales of PV Films 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 forth below is a summary list of performance indicators reviewed by the executive Directors on a regular basis:

(a) **Segment results**

	Year ended 31 December 2022					
	Electric storage business	EPC Services	PV Films	Automobile glass repair and replacement services	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	<u>271,682</u>	<u>626,096</u>	<u>76,977</u>	<u>44,708</u>	<u>46,784</u>	<u>1,066,247</u>
Timing of revenue recognition within the scope of HKFRS 15						
– At a point in time	271,682	27,965	76,977	44,708	37,447	458,779
– Over time	—	593,313	—	—	9,337	602,650
	<u>271,682</u>	<u>621,278</u>	<u>76,977</u>	<u>44,708</u>	<u>46,784</u>	<u>1,061,429</u>
Revenue from other source:						
Finance lease income	—	4,818	—	—	—	4,818
Total revenue	<u>271,682</u>	<u>626,096</u>	<u>76,977</u>	<u>44,708</u>	<u>46,784</u>	<u>1,066,247</u>
Cost of revenue	<u>(252,318)</u>	<u>(495,091)</u>	<u>(84,298)</u>	<u>(34,609)</u>	<u>(34,600)</u>	<u>(900,916)</u>
Gross profit/(loss)	<u>19,364</u>	<u>131,005</u>	<u>(7,321)</u>	<u>10,099</u>	<u>12,184</u>	<u>165,331</u>
Depreciation charge of property, plant and equipment	27,473	998	793	6,680	2	35,946
Amortisation charge of intangible assets	<u>1,940</u>	<u>—</u>	<u>3</u>	<u>—</u>	<u>—</u>	<u>1,943</u>

Year ended 31 December 2021

	Electric storage business	EPC Services	PV Films	Automobile glass repair and replacement services	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	<u>101,089</u>	<u>309,688</u>	<u>—</u>	<u>42,713</u>	<u>52,697</u>	<u>506,187</u>
Timing of revenue recognition within the scope of HKFRS 15						
– At a point in time	101,089	16,626	—	42,713	43,050	203,478
– Over time	<u>—</u>	<u>292,483</u>	<u>—</u>	<u>—</u>	<u>9,647</u>	<u>302,130</u>
	101,089	309,109	—	42,713	52,697	505,608
Revenue from other source:						
Finance lease income	<u>—</u>	<u>579</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>579</u>
Total revenue	101,089	309,688	—	42,713	52,697	506,187
Cost of revenue	<u>(89,465)</u>	<u>(220,755)</u>	<u>—</u>	<u>(31,932)</u>	<u>(37,896)</u>	<u>(380,048)</u>
Gross profit	<u>11,624</u>	<u>88,933</u>	<u>—</u>	<u>10,781</u>	<u>14,801</u>	<u>126,139</u>
Depreciation charge of property, plant and equipment	8,549	319	—	5,033	23	13,924
Amortisation charge of intangible assets	<u>1,375</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,375</u>

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment gross profit	165,331	126,139
Unallocated items:		
Other income	6,544	35,986
Other gains, net	4,875	813
Impairment loss on financial assets	(1,565)	(3,871)
Selling and marketing costs	(18,947)	(11,908)
Administrative expenses	(78,086)	(61,995)
Share of results of an associate	(5)	(4)
Finance income	3,441	1,795
Finance costs	(4,781)	—
Profit before income tax	<u>76,807</u>	<u>86,955</u>

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

	Electric storage business	EPC Services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2022			
Revenue from			
– Customer C	—	163,716	163,716
– Customer D	127,286	—	127,286
	<u>127,286</u>	<u>—</u>	<u>127,286</u>
Year ended 31 December 2021			
Revenue from			
– Customer A	68,268	—	68,268
– Customer B	—	123,647	123,647
	<u>68,268</u>	<u>123,647</u>	<u>191,915</u>

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

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	749,296	328,316
Canada	272,181	134,174
Hong Kong	44,708	42,713
Others	62	984
	<u>1,066,247</u>	<u>506,187</u>

(c) **Segment assets and liabilities**

	<u>Year ended 31 December 2022</u>					
	<u>Electric storage business</u>	<u>EPC Services</u>	<u>PV Films</u>	<u>Automobile glass repair and replacement services</u>	<u>Others</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 assets included: Additions to non-current assets during the year (other than financial instruments and deferred tax assets)	<u>63,990</u>	<u>978</u>	<u>388,491</u>	<u>9,587</u>	<u>329</u>	<u>463,375</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>

Year ended 31 December 2021

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

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

	Assets		Liabilities	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets/(liabilities)	2,302,431	1,218,172	(812,824)	(449,865)
Unallocated items:				
Prepayments, deposits and other receivables	254	270	—	—
Cash and cash equivalents	1,311	229,629	—	—
Bank borrowings	—	—	(339,024)	(227,343)
Other creditors and accruals	—	—	(1,658)	(1,529)
Total assets/(liabilities)	<u>2,303,996</u>	<u>1,448,071</u>	<u>(1,153,506)</u>	<u>(678,737)</u>

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
The PRC	724,697	372,107
Canada	2,121	2,278
Hong Kong	19,394	16,492
Malaysia	11,067	—
	<u>757,279</u>	<u>390,877</u>

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

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

	<u>2022</u>	<u>2021</u>
	HK\$'000	HK\$'000
<i>Contract assets:</i>		
– Provision of EPC Services	<u>134,674</u>	<u>201,553</u>
<i>Contract liabilities:</i>		
– Provision of EPC Services	36,071	18,691
– Others	<u>5,581</u>	<u>3,281</u>
	<u>41,652</u>	<u>21,972</u>

(i) **Significant changes in contract assets and liabilities**

Contract assets have decreased by HK\$66,879,000 (2021: increased by HK\$199,001,000) relating to the Group's EPC Services because certain contract assets of the EPC Services as at 31 December 2021 were transferred to receivables during the year ended 31 December 2022 when the rights became unconditional.

Contract liabilities have increased by HK\$19,680,000 (2021: increased by HK\$15,875,000) during the year mainly due to the increase in security deposits arising from ongoing EPC Services contracts as at 31 December 2022.

(ii) Revenue recognised in relation to contract liabilities

Revenue of HK\$21,177,000 (2021: HK\$6,145,000) 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 gains, net

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Government grants (note (a))	3,491	24,478
Compensation from landlord (note (b))	—	9,986
Others	<u>3,053</u>	<u>1,522</u>
	<u>6,544</u>	<u>35,986</u>
Other gains, net		
Net gains on disposal of old facilities, scrapped materials or property, plant and equipment (note (c))	1,798	466
Rent concessions	48	—
Exchange gains, net	<u>3,029</u>	<u>347</u>
	<u>4,875</u>	<u>813</u>

Notes:

- (a) For the year ended 31 December 2022, the balance included grants under the Employment Support Scheme (“ESS”) introduced by HKSAR Government which amounted to approximately HK\$1,378,000 (2021: Nil). 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. Remaining balance included mainly grants obtained from the PRC government to incentivise the investment and research and development which amounted to approximately Nil and HK\$815,000 respectively (2021: HK\$21,655,000 and HK\$2,823,000 respectively), and also in relation to tax subsidy which amounted to approximately HK\$1,069,000 (2021: Nil).

- (b) In March 2021, the Company and a landlord of factory situated in Anhui Province of the PRC entered into a termination agreement and, pursuant to which, the landlord agreed to compensate an amount of RMB8,301,000 (equivalent to approximately HK\$9,986,000) to the Company to early terminate the lease of Anhui factory. The early termination of the lease resulted in a loss on disposal of certain plant and equipment amounting to approximately HK\$4,296,000.
- (c) The Group's production operation generates scraps or recyclable materials and assets which are available for sale and give rise to disposal gains/(losses).

5. Profit before income tax

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories	688,498	259,927
Write-off and provision for impairment of inventories	2,360	305
Auditor's remuneration	1,160	880
Depreciation charge:		
– Property, plant and equipment owned	28,267	9,041
– Right-of-use assets	7,679	4,883
Amortisation charge	1,943	1,375
Employee benefit expenses (including directors' emoluments)	71,345	56,037
Expense relating to short-term leases	1,665	2,443
Rent concessions	(48)	—
Research and development expenses	22,035	17,475

6. Finance income and costs

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income from bank deposits	<u>3,441</u>	<u>1,795</u>
Finance costs		
Interest on bank borrowings	11,763	1,633
Interest on lease liabilities	336	250
Less: amounts capitalised (note)	<u>(7,318)</u>	<u>(1,883)</u>
	<u>4,781</u>	<u>—</u>

Note:

The capitalisation rate of 3.90% (2021: 2.33%) 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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax (note (a))	275	105
– PRC corporate income tax (note (b))	6,037	11,070
– Canadian corporate income tax (note (c))	<u>1,911</u>	<u>1,255</u>
	8,223	12,430
Deferred tax charge	<u>13,654</u>	<u>8,204</u>
	<u>21,877</u>	<u>20,634</u>

Notes:

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

- (b) Two (2021: 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% (2021: 15%). Other subsidiaries of the Group in the PRC are subject to standard tax rate of 25% (2021: 25%). Provision for the PRC corporate income tax is calculated at 15% - 25% (2021: 15% - 25%) on estimated assessable profit for the year ended 31 December 2022.
- (c) Canadian corporate income tax is provided on the estimated assessable profits for the year at the federal tax rate of 15% (2021: 15%) and provincial tax rates at rates prevailing in relevant provinces of 8% - 16% (2021: 8% - 16%) for the year ended 31 December 2022.
- (d) In prior and current 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 year ended 31 December 2022.

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 which was adjusted to reflect the bonus element arising from the rights issue completed in September 2022 (2021: the weighted average number of ordinary shares in issue were represented to reflect the bonus element arising from the rights issue completed in September 2022).

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to owners of the Company	<u>45,898</u>	<u>62,629</u>
	<i>('000)</i>	<i>('000)</i>
		<i>(Restated)</i>
Weighted average number of ordinary shares in issues	<u>745,913</u>	<u>670,786</u>
	<i>HK Cents</i>	<i>HK Cents</i>
		<i>(Restated)</i>
Basic earnings per share	<u>6.15</u>	<u>9.34</u>

(b) Diluted earnings per share

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

For the year ended 31 December 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 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 (2021: dilutive).

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to owners of the Company	<u>45,898</u>	<u>62,629</u>
	<i>('000)</i>	<i>('000)</i>
		<i>(Restated)</i>
Weighted average number of ordinary shares		
for the purpose of diluted earnings per share	745,913	670,786
Adjustment for share options	<u>5,354</u>	<u>6,087</u>
	<u>751,267</u>	<u>676,873</u>
	<i>HK Cents</i>	<i>HK Cents</i>
		<i>(Restated)</i>
Diluted earnings per share	<u>6.11</u>	<u>9.25</u>

9. Dividends

No final dividend was proposed during the year (2021: Nil).

10. Contract assets, trade and other receivables and prepayments

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance lease – gross receivables	258,291	77,216
Less: Unearned finance income	<u>(64,011)</u>	<u>(19,816)</u>
Present value of minimum lease payments	194,280	57,400
Less: Loss allowance	<u>(636)</u>	<u>(224)</u>
	<u>193,644</u>	<u>57,176</u>
Trade receivables (note (a))		
– Third parties	357,993	72,496
– Related companies	<u>15,817</u>	<u>11,590</u>
	373,810	84,086
Less: Loss allowance	<u>(2,030)</u>	<u>(1,273)</u>
	<u>371,780</u>	<u>82,813</u>
Contract assets	135,009	201,691
Less: Loss allowance	<u>(335)</u>	<u>(138)</u>
	<u>134,674</u>	<u>201,553</u>
Bills receivables (note (b))	28,308	7,491
Prepayments	127,840	53,472
Value-added tax recoverable	55,835	14,256
Deposits and other receivables	<u>4,845</u>	<u>4,798</u>
	916,926	421,559
Less: Non-current portion		
Trade receivables	—	(7,456)
Finance lease receivables	(183,544)	(53,763)
Prepayments for property, plant and equipment	<u>(105,199)</u>	<u>(8,308)</u>
Current portion	<u>628,183</u>	<u>352,032</u>

Notes:

(a) Trade receivables

Majority of credit period granted by the Group to its customers is 30 to 90 days (2021: 30 to 90 days), except certain customers arising from EPC Services in the PRC 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:

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	233,025	50,530
91 – 180 days	14,005	6,635
181 – 365 days	42,664	4,803
Over 365 days	82,086	20,845
	<u>371,780</u>	<u>82,813</u>

(b) Bills receivables

The maturity dates of bills receivables are within 6 months (2021: 12 months).

As at 31 December 2022, the Group endorsed certain bills receivables (the “**Endorsed Bills**”) issued by several banks in the PRC (the “**Issuing Banks**”) with a carrying amount of RMB101,799,000 (equivalent to approximately HK\$113,755,000) (2021: RMB85,142,000 (equivalent to approximately HK\$104,137,000)), with maturity within 12 months (2021: 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 accordance with the Negotiable Instruments Law of the PRC, a holder of the Endorsed 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 have been substantially transferred upon the Endorsement. Accordingly, the Group has derecognised the full carrying amounts of the Endorsed Bills and the associated trade and other payables. The maximum exposure arising from the Group's Continuing Involvement in the Endorsed Bills and the undiscounted cash flows to repurchase these Endorsed Bills equal to their carrying amounts. The Directors consider that the fair values of the Group's Continuing Involvement in the Endorsed Bills were not significant.

During the years ended 31 December 2022 and 2021, the Group had not recognised any gain or loss arising from the Endorsed Bills. No gain or loss were recognised from the Continuing Involvement, both during the years or cumulative years.

11. Contract liabilities, trade and other payables

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (note (a))		
– Third parties	140,284	248,991
– Related companies	1,581	3,432
	141,865	252,423
Bills payables	341,605	35,272
Contract liabilities	41,652	21,972
Accrued salaries and bonus	19,211	17,483
Other payables for purchase of property, plant and equipment	65,602	51,338
Other creditors and accruals	14,264	8,987
Value-added tax payable	2,471	17,398
Deferred revenue in respect of government grants	147,503	9,785
	774,173	414,658

Note:

(a) Trade payables

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	82,368	239,734
31 – 90 days	24,384	3,803
91 – 180 days	17,009	457
Over 180 days	18,104	8,429
	141,865	252,423

12. Bank borrowings

As at 31 December 2022, the Group's bank borrowings are repayable as follows:

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	208,423	105,000
In the second year	95,401	68,512
In the third to fifth years	35,200	53,831
Wholly repayable within five years	339,024	227,343
Less: portion due on demand or within one year under current liabilities	(208,423)	(105,000)
Portion due over one year under non-current liabilities	<u>130,601</u>	<u>122,343</u>

As at 31 December 2022, the Group had HK\$-denominated term loan and revolving loan facilities totalling HK\$490,000,000 and a CAD-denominated term loan, revolving loan and guarantee facilities of CAD35,000,000 (equivalent to approximately HK\$201,254,000), out of which approximately HK\$320,605,000 and CAD5,500,000 (equivalent to approximately HK\$31,625,000) were not utilised. These bank loan facilities were unsecured and carried at floating rates ranged from 5.8% to 6.4% per annum (2021: 1.7% to 2.0% per annum), except for a loan of approximately HK\$89,395,000 carried at fixed rate of 3.8% per annum.

As at 31 December 2022, the Group's bank borrowings were secured by corporate guarantees given by the Company and a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a significant increase in revenue by 110.6% to HK\$1,066.2 million in 2022 from HK\$506.2 million in 2021. The increase was mainly attributable to the increase in revenue of each main business of the Group. Profit attributable to owners of the Company decreased by 26.7% to HK\$45.9 million in 2022 from HK\$62.6 million in 2021. The decrease was principally due to the lack of the PRC government grant during the year for the equity investment completely made to a wholly-owned subsidiary of the Company in 2021 amounted to HK\$21.7 million, the effect of which was offset by the improvement in operating performance driven by the increase in revenue.

New Energy - Electric Storage Business

The Group has production facilities in Zhangjiagang, Jiangsu Province for the manufacturing and sales of lithium battery and energy storage products. Through the integrated research and development (R&D), design, production, system integration and services centered on self-produced lithium batteries, the Group has fully leveraged the competitive advantage of the vertically integrated industrial chain.

The electric storage business of the Group mainly focuses on the development and sales of the industrial and commercial energy storage products as well as the household energy storage products. The Group's products are mainly sold and installed in integrated systems comprising lithium batteries, battery management systems and other components (such as energy management systems and power conditioning systems). The Group's energy storage products for industrial and commercial use are mainly being used as energy storage systems to facilitate load shifting and power stabilisation, and also being used as uninterruptible power supply. The Group's energy storage products for household use mainly include micro energy storage products and portable electric vehicle chargers.

New Energy – EPC Services

The Group is engaged in the EPC Services to customers in the PRC for the installation of distributed photovoltaic power stations in their premises.

In addition to the domestic market in the PRC, the Group has a subsidiary in Canada, namely Polaron Energy Corp., for the provision of EPC Services for household users in the overseas market.

Driven by the increasing demand for solar energy, the Group successfully undertook more EPC Services contracts in the PRC and Canada, which resulted in a significant increase in the revenue attributable to the EPC Services in 2022 as compared to last year.

New Energy - PV Films

Since the fourth quarter of 2021, the Group has been actively preparing for the development of the production and sales of PV Films. The Group's PV Films are used as encapsulant materials for solar modules. The Group is in the process of constructing and installing PV Films production facility in Wuhu City, Anhui Province, the PRC. Other than that, the Group is also setting up a PV Films production line in Malaysia that is in the progress of installation and testing.

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.

BUSINESS REVIEW

Electric Storage Business – Active deployment for a dual development in industrial and commercial and household energy storage

Since the Group has started 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 R&D, design, production, system integration and service function with self-produced lithium batteries as the core, the Group has fully leveraged the competitive advantage 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 therefore has given strong support to the investment in the R&D of lithium battery products and energy storage technology, and continuously strengthening 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, and thereby strive 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 household 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 front of industrial and commercial energy storage, the energy storage products of the Group possess comprehensive product solution, and are suitable on different application scenarios including power generation, power supply and user side. On the front of household energy storage, the well-equipped R&D team of the Group is dedicated to develop the product path for the integration and systematisation of “photovoltaic, storage and charging”, among which the portable electric vehicle charger series have been launched to the market during the year.

There was a significant development for the electric storage business of the Group in 2022, its source of revenue has been transformed successfully from non-road vehicles ancillary facilities to industrial and commercial energy storage products, which act as driving forces for the development of the Group in the energy storage industry. During 2022, the revenue of the Group from electric storage business increased by approximately 168.8% as compared to last year.

EPC Services - The rapid development of the business has become a source of revenue and profit growth, making significant contributions 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 of Xinyi companies, 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 (碳达峰、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, which has a huge development space. The Group successfully undertook more distributed photovoltaic EPC Services projects in the PRC in 2022. In addition, the Group focuses on providing photovoltaic EPC Services for household users in Canada, providing an 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 more mature this year, with more projects undertaken, its revenue and profit contribution increased significantly compared to the same period last year, and its business has been further expanded. During 2022, the revenue and gross profit of the EPC Services of the Group increased by approximately 102.2% and 47.3%, respectively, as compared to last year.

PV Films - The brand new photovoltaic encapsulant film business starts to perform

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 photovoltaic modules. The PV Films plant of the Group in Wuhu City, Anhui Province is still under construction. Currently, this plant has a 16 gigawatts (“GW”) of production capacity for encapsulant films, and it is planning to increase such production capacity to 45GW in 2023. In addition, the Group is setting 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.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group's revenue was HK\$1,066.2 million (2021: HK\$506.2 million), representing an increase by 110.6% mainly attributable to the change in revenue contributed by business segments analysed as follows:

Revenue — by segment

	Year Ended 31 December					
	2022		2021		Increase/(decrease)	
	<i>HK\$'million</i>	%	<i>HK\$'million</i>	%	<i>HK\$'million</i>	%
Electric storage business	271.7	25.5	101.1	20.0	170.6	168.7
EPC Services	626.1	58.7	309.7	61.2	316.4	102.2
PV Films	77.0	7.2	—	—	77.0	N/A
Automobile glass repair and replacement services	44.7	4.2	42.7	8.4	2.0	4.7
Others (Trading of forklift and wind farm related business)	46.7	4.4	52.7	10.4	(6.0)	(11.4)
Total revenue	<u>1,066.2</u>	<u>100.0</u>	<u>506.2</u>	<u>100.0</u>	<u>560.0</u>	<u>110.6</u>

Revenue — by geographical area

	Year Ended 31 December					
	2022		2021		Increase/(decrease)	
	<i>HK\$'million</i>	%	<i>HK\$'million</i>	%	<i>HK\$'million</i>	%
The PRC	749.3	70.3	328.3	64.9	421.0	128.2
Canada	272.1	25.5	134.2	26.5	137.9	102.8
Hong Kong	44.7	4.2	42.7	8.4	2.0	4.7
Others	0.1	—	1.0	0.2	(0.9)	(90.0)
Total revenue	<u>1,066.2</u>	<u>100.0</u>	<u>506.2</u>	<u>100.0</u>	<u>560.0</u>	<u>110.6</u>

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

- (a) the increase in revenue attributable to the EPC Services, which contributed revenue amounting to HK\$626.1 million (2021: HK\$309.7 million) during the year ended 31 December 2022, which was mainly due to the increase in number of EPC Services contracts undertaken in the PRC and Canada during the year;
- (b) the increase in revenue attributable to the electric storage business, which contributed revenue amounting to HK\$271.7 million (2021: HK\$101.1 million) for the year ended 31 December 2022, which was mainly due to the increase in sales of industrial and commercial energy storage products during the year;
- (c) the increase in revenue attributable to our new business, the production and sales of PV Films, commenced from the fourth quarter of 2021, which contributed revenue amounting to HK\$77.0 million for the year ended 31 December 2022; and
- (d) partially offset by the decrease in revenue attributable to “Others” business segment by 11.4%, which was mainly due to the decrease in sales of the forklifts.

Cost of revenue and gross profit

Cost of revenue comprised of HK\$252.3 million (2021: HK\$89.5 million) arising from the electric storage business, HK\$495.1 million (2021: HK\$220.8 million) arising from the EPC Services, HK\$84.3 million arising from the PV Films (2021: Nil), HK\$34.6 million (2021: HK\$31.9 million) arising from the automobile glass repair and replacement services, and HK\$34.6 million (2021: HK\$37.9 million) arising from others (trading of forklift and wind farm related business).

Cost of revenue for the electric storage business of HK\$252.3 million (2021: HK\$89.5 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 increased from HK\$11.6 million for the year ended 31 December 2021 to HK\$19.4 million for the year ended 31 December 2022 mainly due to the increase in sales of industrial and commercial energy storage products during the year.

Cost of revenue for the EPC Services of HK\$495.1 million (2021: HK\$220.8 million) mainly comprised of the material cost, installation cost and other subcontracting costs. The gross profit of the EPC Services increased from HK\$88.9 million for the year ended 31 December 2021 to HK\$131.0 million for the year ended 31 December 2022 mainly due to the increase in number of EPC Services contracts undertaken in the PRC and Canada during the year.

Cost of revenue for the PV Films of HK\$84.3 million (2021: Nil) mainly comprised of material cost, labour cost and depreciation charge of property, plant and equipment. The gross loss of the PV Films amounted to HK\$7.3 million for the year ended 31 December 2022 (2021: Nil).

Cost of revenue for the automobile glass repair and replacement services of HK\$34.6 million (2021: HK\$31.9 million) mainly comprised of product costs, labour costs and depreciation charge of property, plant and equipment. The gross profit of the automobile glass repair and replacement services decreased from HK\$10.8 million for the year ended 31 December 2021 to HK\$10.1 million for the year ended 31 December 2022 mainly due to the increase in staff cost.

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

The overall gross profit margin decreased from 24.9% for the year ended 31 December 2021 to 15.5% for the year ended 31 December 2022 mainly due to the decrease in gross profit margin of electric storage business and the EPC Services during the year. The industrial and commercial energy storage products and certain large scale EPC Services contracts undertaken during the year had relatively lower gross profit margin.

Other income

Other income for the year ended 31 December 2022 mainly represented government grants amounting to HK\$3.5 million which included the government grants from the PRC government in relation to the tax subsidy and R&D and from the Hong Kong government in relation to the Employment Support Scheme granted to the automobile glass repair and replacement services business.

Other income for the year ended 31 December 2021 mainly represented the government grants from the PRC government to incentivise the investment and R&D and the compensation from the PRC government in relation to the early termination of lease agreements for our factory and office premises in Wuhu City, Anhui Province, the PRC.

Other gains, net

Other gains, net for the years ended 31 December 2021 and 2022 mainly included the gains on disposal of scrapped materials arising from the production during the years and the net exchange gains.

Expenses

Selling and marketing costs increased by HK\$7.1 million from HK\$11.9 million for the year ended 31 December 2021 to HK\$19.0 million for the year ended 31 December 2022, which was mainly due to (i) the increase in employee benefit expenses as a result of the increase in average number of employees during the year and (ii) the increase in expenses in connection with selling activities such as transportation cost for delivering products to customers and advertising expenses.

Administrative expenses increased by HK\$16.1 million from HK\$62.0 million for the year ended 31 December 2021 to HK\$78.1 million for the year ended 31 December 2022, primarily due to (i) the increase in employee benefit expenses as a result of the increase in average number of employees during the year and the share-based compensation for share options granted and (ii) the increase in the expenditure for R&D of the Group's products.

Finance costs

Finance costs amounted to HK\$4.8 million (or HK\$12.1 million before capitalisation) for the year ended 31 December 2022. No finance costs were charged to profit or loss for the year ended 31 December 2021 (or HK\$1.9 million before capitalisation) as all the interest expenses were capitalised. The increase in finance costs was mainly attributable to the higher weighted average carrying amount of bank borrowings during the year to finance the capital expenditures for the PV Films production facilities and working capital. During the year, interest expense of HK\$7.3 million (2021: HK\$1.9 million) was capitalised into the construction costs of the PV Films 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\$21.9 million for the year ended 31 December 2022 (2021: HK\$20.6 million), which comprised of Hong Kong profits tax, PRC corporate income tax and Canadian corporate income tax. The effective tax rate was 28.5% for the year ended 31 December 2022 (2021: 23.7%). The increase in income tax expense and effective tax rate is mainly due to higher proportion of profit before income tax and higher corporate tax rate attributable to the EPC Services business in Canada. Two (2021: 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 year ended 31 December 2022 amounted to HK\$45.9 million (2021: HK\$62.6 million). The decrease in the profitability was mainly attributable to the lack of the PRC government grant during the year for the equity investment completely made to a wholly-owned subsidiary of the Company in 2021 amounted to HK\$21.7 million, the effect of which was offset by the improvement in operating performance driven by the increase in revenue.

BUSINESS OUTLOOK

Under the goal of “carbon emission peak and carbon neutrality (碳達峰、碳中和)”, the PRC government has issued a number of policies related to the energy storage industry, to further establish the foundation for the commercialisation of the energy storage industry, establish the status and value of the energy storage industry in the market, which accelerates the recent development of the energy storage industry significantly. On the front of industrial and commercial energy storage, the integrated development of new energy and energy storage has become a future development trend. The Group will continuously expand the new energy and energy storage market, and increase its influence in the industrial and commercial energy storage field through strengthening the R&D level and optimising the product standard. On the front of household energy storage, the Group will emphasise on the integration of energy storage and photovoltaic, with a particular focus on the implementation of the integrating the functions of “photovoltaic, energy storage and charging” in its equipment, with a view that the ancillary sales of such products will become a new powertrain on the development of the Group. The Group is ready to meet the opportunities brought by the vigorous development of energy storage industry, and we will continue to deploy our resources on the R&D of products, increasing the proportion of our 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.

Since the Group launched the EPC Services business in the PRC and Canada, the business has developed rapidly. The Group gained extensive experience in the EPC Services business in the PRC, and possessing 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. At the same time, the Group's EPC Services in Canada have also developed steadily. The Group will continue to strengthen its promotion in the market, further expand its EPC Services business in Canada, and explore the development opportunity in other overseas markets concurrently, increase its market share, and continue to contribute to the Group.

In addition, the PV Films business is one of the development focuses of the Group in the future. There is a continuous increase in the demand for photovoltaic in the market, against this backdrop, the photovoltaic market has huge development space. 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 2023, the Group's primary goal will be to accelerate the supporting certification and product introduction work with photovoltaic module manufacturers. In addition, the Group will strive very hard on the R&D of the 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, and to increase the influence of the Group in PV Film 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.

Looking forward, the progress of global energy transformation and green development will bring unlimited business opportunities to new energy enterprises. The Group will continue to focus on the further development of new energy fields such as energy storage, EPC Services and the PV Films, expand the Group's market share and position, further improve profitability and deliver satisfactory returns to shareholders in the long run.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2022, the Group's primary sources of funding included its own working capital, the net proceeds from the rights issue in December 2021 and September 2022 and bank borrowings. As at 31 December 2022, the Group had net current assets of HK\$341.5 million (31 December 2021: HK\$428.7 million) and cash and cash equivalents of HK\$162.1 million (31 December 2021: HK\$433.2 million) which were mainly placed with major banks in Hong Kong, the PRC and Canada. As at 31 December 2022, the Group had bank borrowings of HK\$339.0 million (31 December 2021: HK\$227.3 million) and had unutilised banking facilities of HK\$352.2 million (31 December 2021: HK\$96.8 million).

As at 31 December 2022, 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 15.4%. The Group was in net cash position as at 31 December 2021.

CAPITAL STRUCTURE

The shares of the Company have been listed on GEM since 11 July 2016 (the "**Listing Date**"). Apart from the rights issue in May 2018, December 2021 and September 2022, 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\$447.9 million for the year ended 31 December 2022 (2021: HK\$172.7 million), which was mainly related to the development and construction of PV Films production facilities in the PRC.

Capital commitments contracted but not provided for by the Group as at 31 December 2022 amounted to HK\$66.0 million (31 December 2021: HK\$39.7 million), which were mainly related to the purchase of various production plants and machinery for the PV Films plant in the PRC from independent third parties under different independent contracts.

PLEDGE OF ASSETS

As at 31 December 2022, a bank balance of HK\$26.2 million was pledged to secure for the Group's bills payables (2021: HK\$7.1 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 518 (31 December 2021: 364) full-time employees, of whom 396 (31 December 2021: 266) were based in the PRC, 55 (31 December 2021: 59) were based in Hong Kong and 67 (31 December 2021: 39) were based in Malaysia and Canada. The total staff costs, including the emoluments of the Directors, amounted to HK\$104.4 million (2021: HK\$78.7 million) for the year ended 31 December 2022. 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 2022 (2021: Nil).

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

The presentation currency of the Group’s consolidated financial statements is HK\$. Amid the depreciation (2021: appreciation) of RMB against HK\$ in 2022, the Group reported non-cash translation loss (2021: gain) – a decrease in the exchange reserve of its consolidated statement of financial position of HK\$73.9 million (2021: increase in HK\$11.8 million), when converting RMB-denominated assets and liabilities into HK\$ at 31 December 2022. As a result, the Group’s consolidated exchange reserve recorded a debit balance of HK\$47.8 million as at 31 December 2022 as compared to a credit balance of HK\$26.1 million as at 31 December 2021.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. During the year ended 31 December 2022, the Group did not use any financial instrument for hedging purpose.

USE OF THE NET PROCEEDS FROM RIGHTS ISSUE

- (a) In December 2021, the Company raised the net proceeds of HK\$228.2 million by way of rights issue of 64,845,744 rights shares. The table below sets forth the proposed applications of the net proceeds and the actual utilisation up to 31 December 2022:

	Proposed applications of the net proceeds	Remaining balance as at 31 December 2021	Amount utilised up to 31 December 2022	Remaining balance as at 31 December 2022
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Additional capital for electric storage business and EPC Services business	105.4	105.4	105.4	—
Investment in new PV Films production line	100.0	100.0	100.0	—
General working capital	22.8	22.8	22.8	—
	<u>228.2</u>	<u>228.2</u>	<u>228.2</u>	<u>—</u>

- (b) In September 2022, the Company raised the 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 applications of the net proceeds and the actual utilisation up to 31 December 2022:

	Proposed applications of the net proceeds	Amount utilised up to 31 December 2022	Remaining balance as at 31 December 2022	Timeline for the intended use
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	
Additional working capital for the development of the PV Films business	393.2	49.0	344.2	By end of 2023

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

As at 31 December 2022, 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 2022. Save as the disclosed plan to set up the new PV Films production line in Wuhu City, Anhui Province, the PRC and Malaysia, 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 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2022 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors confirmed that the Company had complied with the applicable code provisions as contained in the Corporate Governance Code (the “**CG Code**”) set forth in Part 2 of Appendix 15 to the GEM Listing Rules for the year ended 31 December 2022.

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, S.B.S., J.P.. Mr. WANG Guisheng is the chairman of the Audit Committee.

The audited consolidated financial statements of the Group for the year ended 31 December 2022 have 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, all Directors have confirmed that they complied with such required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31 December 2022.

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

For the year ended 31 December 2022, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

NO COMPETING BUSINESS

The Company and Xinyi Solar Holdings Limited (“**Xinyi Solar**”) (stock code: 00968), a company listed on the Main Board of the Stock Exchange, are both engaged in the provision of EPC Services. 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, during the year ended 31 December 2022, 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.

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 ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2022 containing all the information required by the GEM Listing Rules and other applicable laws and regulations will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

SCOPE OF WORK OF 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 2022 as set out in this 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 and consequently no opinion or assurance conclusion has been expressed by BDO Limited on this preliminary announcement.

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, 20 March 2023

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 Mr. NG Ngan Ho and Ms. LI Pik Yung, the non-executive Directors are Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P. (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, S.B.S., J.P..

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of posting and the Company's website at www.xinyies.com.