



ANNUAL REPORT 2022



**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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. NG Ngan Ho[^]
Ms. LI Pik Yung

Non-executive Directors

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

Independent non-executive Directors

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

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

COMPANY SECRETARY

Mr. CHEUNG Siu On Victor, FCPA

REGISTERED OFFICE

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PO Box 1350, Grand Cayman KY1-1108
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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AUDITOR

BDO Limited
Certified Public Accountant
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Hong Kong

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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HONG KONG SHARE REGISTRAR

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COMPANY'S WEBSITE

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SHARE INFORMATION

Place of listing: GEM of the Stock Exchange
Stock code: 08328
Listing date: 11 July 2016
Board lot: 4,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this annual report: HK\$3.55
Market capitalisation as of the date of this annual report:
Approximately HK\$2,787.2 million

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "**Board**") of the Company, I am pleased to present the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022.

For the year ended 31 December 2022, the Group recorded a 110.6% increase in revenue from HK\$506.2 million in 2021 to HK\$1,066.2 million in 2022. 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% from HK\$62.6 million in 2021 to HK\$45.9 million in 2022. The decrease was principally due to the lack of the People's Republic of China (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.

I present below an overview of the business of the Group during 2022 and key development highlights for the coming year.

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 research and development (R&D), design, production, system integration and service function with self-produced lithium batteries as the core, the Group has fully leveraged the competitive 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.

CHAIRMAN'S STATEMENT

Engineering, procurement and construction services (the "EPC Services") for photovoltaic power stations - 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 (碳達峰、碳中和)" actively promoted by the PRC government, the application of photovoltaics is increasing in all scenarios. The distributed photovoltaic power stations are built with idle roofs, 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.

Photovoltaic films (the "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.

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.

CONCLUSION

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.

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

Chairman

20 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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)	
	HK\$'million	%	HK\$'million	%	HK\$'million	%
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	1,066.2	100.0	506.2	100.0	560.0	110.6

Revenue — by geographical area

	Year Ended 31 December					
	2022		2021		Increase/(decrease)	
	HK\$'million	%	HK\$'million	%	HK\$'million	%
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	1,066.2	100.0	506.2	100.0	560.0	110.6

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

- 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;
- 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;

MANAGEMENT DISCUSSION AND ANALYSIS

- (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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 <i>HK\$' million</i>	Remaining balance as at 31 December 2021 <i>HK\$' million</i>	Amount utilised up to 31 December 2022 <i>HK\$' million</i>	Remaining balance as at 31 December 2022 <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>

MANAGEMENT DISCUSSION AND ANALYSIS

- (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 <i>HK\$'million</i>	Amount utilised up to 31 December 2022 <i>HK\$'million</i>	Remaining balance as at 31 December 2022 <i>HK\$'million</i>	Timeline for the intended use
Additional working capital for the development of the PV Films business	393.2	<u>49.0</u>	<u>344.2</u>	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 report.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Tan Sri Datuk TUNG Ching Sai P.S.M, D.M.S.M, J.P. (董清世), aged 57, is a non-executive Director and the Chairman of the Board and is responsible for the formulation of the Group's overall business strategy. Tan Sri Datuk TUNG Ching Sai, J.P. has joined the Group since December 1996. Tan Sri Datuk TUNG Ching Sai, J.P. has been working with Xinyi Glass Holdings Limited ("**Xinyi Glass**"), a company listed on the main board of the Stock Exchange (stock code: 00868), and its subsidiaries (collectively "**Xinyi Glass Group**") for 34 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass, the vice chairman and non-executive director of Xinyi Solar Holdings Limited ("**Xinyi Solar**") (stock code: 00968), and the vice chairman and executive director of Xinyi Energy Holdings Limited ("**Xinyi Energy**") (stock code: 03868), all of them are listed on the main board of the Stock Exchange. Tan Sri Datuk TUNG Ching Sai, J.P. is a standing committee member of the twelve session of the Guangxi Zhuang Autonomous Regional Committee of the Chinese People's Political Consultative Conference, a member of the executive committee of All-China Federation of Industry and Commerce, chairman of the Happy Hong Kong Foundation, president of Hong Kong Industrial & Commercial Association, and vice chairman of the China Architectural and Industrial Glass Association. Tan Sri Datuk TUNG Ching Sai, J.P. obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur award in September 2001 and was awarded the "Young Industrialist Awards of Hong Kong 2006". Tan Sri Datuk TUNG Ching Sai, J.P. graduated from the Sun Yat-Sen University with a senior executive master degree in business administration. Tan Sri Datuk TUNG Ching Sai, J.P. is the uncle of Ms. LI Pik Yung, an executive Director, and Mr. LEE Shing Kan, a non-executive Director. Tan Sri Datuk TUNG Ching Sai, J.P. is the brother-in-law of Dr. LEE Yin Yee, B.B.S., one of the controlling shareholders (the "**Controlling Shareholders**") of the Company, and brother of Mr. TUNG Ching Bor, one of the Controlling Shareholders.

EXECUTIVE DIRECTORS

Mr. NG Ngan Ho (吳銀河), aged 58, is the executive Director. Mr. NG is responsible for overseeing the daily operations and management of the Group. Mr. NG has joined the Group since July 2016 and was the chief executive officer of the Company from 14 November 2018 to 26 February 2021. Mr. NG was appointed as the executive Director in May 2020. Mr. NG joined Xinyi Glass in August 2003 and was responsible for overseeing the finance and procurement of the industrial park in Dongguan, the PRC of Xinyi Glass. Mr. NG was appointed as an executive director of Xinyi Glass on 25 June 2004 and has been re-designated as a non-executive director of Xinyi Glass since 1 July 2007.

Ms. LI Pik Yung (李碧蓉), aged 50, is the executive Director and the chief operation officer of the Company. Ms. LI is responsible for overseeing the daily management, sales and marketing activities and human resources matters of the Group, as well as the daily operations of the Group's automobile glass repair and replacement services business. Ms. LI has been working for the Group for over 20 years and was promoted as an executive Director in December 2015. Ms. LI is a niece of Tan Sri Datuk TUNG Ching Sai, J.P., a non-executive Director and the Chairman and one of the Controlling Shareholders and a cousin of Mr. LEE Shing Kan, the non-executive Director.

NON-EXECUTIVE DIRECTOR

Mr. LEE Shing Kan (李聖根), aged 43, is a non-executive Director. Mr. LEE has joined the Group since April 2004. Mr. LEE has been working in Xinyi Glass for over 17 years. Mr. LEE is currently an executive director of Xinyi Glass and is responsible for overseeing the automobile glass business segment of Xinyi Glass. Mr. LEE holds a bachelor's degree in commerce from the University of Melbourne and a master's degree in applied finance from Monash University. Mr. LEE is a committee member of the Fujian Province Committee of Chinese People's Political Consultative Conference and the chief supervisor of the Federation of HK Sichuan Community Organisations. Mr. LEE was a director of Tung Wah Group of Hospitals from 2012 to 2014. Mr. LEE has been the executive committee member and the vice chairman of the Lok Sin Tong Benevolent Society, Kowloon since April 2018 and April 2020 respectively. Mr. LEE is a nephew of Tan Sri Datuk TUNG Ching Sai, J.P., a non-executive Director and the Chairman and one of the Controlling Shareholders, and a cousin of Ms. LI Pik Yung, an executive Director. Mr. LEE is the son of Dr. LEE Yin Yee, B.B.S., one of the Controlling Shareholders.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Guisheng (王貴升), aged 53, is an independent non-executive Director since June 2016. Mr. WANG obtained a master's degree in business administration from China Europe International Business School in August 2014. Mr. WANG is qualified as Certified Public Accountant with the Chinese Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants ("HKICPA") and has been a member of the Association of Chartered Certified Accountants of England since April 2003. Mr. WANG was an independent director of Sunshine Global Circuits Co., Ltd. (stock code: 300739), a company listed on the Shenzhen Stock Exchange from January 2016 to February 2022. Currently, Mr. WANG is an executive director, chief financial officer and joint company secretary of Smoore International Holdings Limited (stock code: 06969), a company listed on the main board of the Stock Exchange.

Mr. NG Wai Hung (吳偉雄), aged 59, is an independent non-executive Director since June 2016. Mr. NG graduated from the University of Hong Kong with a bachelor's degree in laws in 1987. Mr. NG is a practising solicitor and a partner in Lu, Lai & Li, a Hong Kong firm of solicitors. Mr. NG practices in the areas of securities law, corporate law and commercial law in Hong Kong. Mr. NG was an independent non-executive director of 1957 & Co. (Hospitality) Limited (stock code: 08495), a company listed on the GEM of the Stock Exchange from November 2017 to August 2022. Currently, Mr. NG is an independent non-executive director of Lajin Entertainment Network Group Limited (stock code: 08172), a company listed on the GEM of the Stock Exchange, and Winshine Science Company Limited (stock code: 00209), a company listed on the main board of the Stock Exchange, and a non-executive director of Coolpad Group Limited (stock code: 02369), a company listed on the main board of the Stock Exchange.

Mr. CHAN Hak Kan, S.B.S., J.P. (陳克勤), aged 46, is an independent non-executive Director since June 2016. Mr. CHAN graduated from The Chinese University of Hong Kong, obtained a bachelor's degree in social science in December 1997, and further obtained a master's degree in social science in December 2003. From January 2000 to December 2003, Mr. CHAN served as an elected member of the Sha Tin District Council. From October 2008 to October 2011, July 2012 to June 2018 and October 2016 to December 2021, Mr. CHAN served as a member of the Council of The Chinese University of Hong Kong, and Beat Drugs Fund Association Governing Committee, and Tung Wah Group of Hospitals Advisory Board, respectively. Mr. CHAN has been a member of the HKSAR Legislative Council, ICAC Advisory Committee on Corruption, Witness Protection Review Board Panel, Po Leung Kuk Advisory Board, and the HKSAR Executive Council since October 2008, January 2017, January 2019, March 2022 and July 2022, respectively. In June 2012, Mr. CHAN was appointed as the Justice of the Peace by the Chief Executive of Hong Kong. Currently, Mr. CHAN is an independent non-executive director of Oshidori International Holdings Limited (stock code: 00622) and Imagi International Holdings Limited (stock code: 00585), both of them are listed on the main board of the Stock Exchange.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. WANG Mohan (王墨涵), aged 37, is a chief executive officer of the Company since 4 August 2022. Mr. Wang is also currently the president of Polaron Energy Corp. (“**PEC**”), a company established in Canada and a non-wholly subsidiary of the Company. Mr. WANG is also interested in 6.0% of the issued share capital of PEC. Mr. WANG is graduated from Goodman School of Business of Brock University with a bachelor’s degree of accounting in 2009 and a master’s degree of accountancy in 2011. Mr. WANG is a non-practising certified public accountant and certified management accountant in Canada. Mr. WANG has approximately 10 years of experience in the solar photovoltaic industry operations focusing on the sales and production, project management and financial management.

CHEUNG Siu On Victor (張兆安), aged 35, is the financial controller and company secretary of the Company and is responsible for the overall financial and company secretarial matters of the Group. Mr. CHEUNG joined the Group in April 2020. Mr. CHEUNG obtained a Bachelor’s Degree in Business Administration (Honours) in Accountancy from The Hong Kong Polytechnic University. Mr. CHEUNG has over 10 years of experience in auditing and prior to joining the Group, Mr. CHEUNG worked for Xinyi Glass. Mr. CHEUNG is a fellow member of the HKICPA.

CORPORATE GOVERNANCE REPORT

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the “CG Code”) set forth in Part 2 of Appendix 15 of the GEM Listing Rules throughout the year of 2022.

In the opinion of the Board, the Company has complied with the applicable principles and code provisions of the CG Code for the year ended 31 December 2022.

The Board is collectively responsible for the long-term success of the Company. Its key responsibilities include providing leadership and supervision to the Management with a view to protecting the Shareholders’ interests and enhancing Shareholders’ long-term value.

The Board has established the Group’s purpose, values and strategies and was satisfied that they are aligned with the Group’s culture. All Directors must act with integrity, lead by example, and promote the desired culture. The Board should instil and continually reinforce across the Company’s values of “acting lawfully, ethically and responsibly”.

During the year ended 31 December 2022, the Board closely monitored the implementation of corporate governance practice, risk management and internal control systems to ensure the corporate value and the Company’s culture are aligned.

BOARD OF DIRECTORS

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

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

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

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

The independent non-executive Directors have brought in a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all independent non-executive Directors will continue to make various contributions to the Company.

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

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

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

The articles of association (the "**Articles**") of the Company provide that at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall subject to retirement by rotation at least once every three years. Where there is any casual vacancy in the Board, candidates will be proposed and put forward to the Board for consideration and approval, with a view to appointing to the Board individuals with the appropriate capabilities to fill the casual vacancy.

Each of the two non-executive Directors and the three independent non-executive Directors has entered into a letter of appointment with us on 25 June 2016 for a term of three years commencing from the Listing Date and such terms of appointment have been renewed for three years from 12 July 2022.

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

Attendance records of the Directors at board meetings, board committee meetings and general meetings in 2022 are as follows:

Directors	Meetings attended/held				
	Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings	General meetings
Tan Sri Datuk TUNG Ching Sai, J.P.	5/5	-/-	1/1	-/-	1/1
Mr. NG Ngan Ho	5/5	-/-	-/-	-/-	1/1
Ms. LI Pik Yung	5/5	-/-	-/-	-/-	1/1
Mr. LEE Shing Kan	5/5	-/-	-/-	1/1	1/1
Mr. WANG Guisheng	5/5	4/4	1/1	1/1	1/1
Mr. NG Wai Hung	5/5	4/4	1/1	-/-	1/1
Mr. CHAN Hak Kan, S.B.S., J.P.	5/5	4/4	-/-	1/1	1/1

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

CORPORATE GOVERNANCE REPORT

MECHANISM REGARDING INDEPENDENT VIEWS TO THE BOARD

The Board has implemented different ways to ensure independent views and input are available to the Board (the “**Mechanism**”). The Board will conduct annual review on the implementation and effectiveness of the Mechanism and the results will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Mechanism and the results were satisfactory.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by the Directors (the “**Model Code**”) on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2022.

REMUNERATION COMMITTEE

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

The Remuneration Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of the Directors, making recommendations to the Board on the remuneration packages of the Directors and senior management and reviewing and approving matters related to share schemes. During the year ended 31 December 2022, one meeting of the Remuneration Committee was held to discuss and review such matters.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors and the chief executive of the Company) by band for the year ended 31 December 2022 is set forth below:

In the band of:	Number of individuals
HK\$1,000,001 to HK\$1,500,000	1

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

AUDIT COMMITTEE

The audit committee (the “**Audit Committee**”) of the Board comprises three independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, S.B.S., J.P.. Mr. WANG Guisheng is the chairman of the Audit Committee. The audited consolidated financial statements of the Group for the year ended 31 December 2022 has been reviewed by the Audit Committee.

The Audit Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group, nominate and monitor external auditor and provide advice and comments to the Board on matters related to corporate governance. During the year ended 31 December 2022, the Audit Committee held four meetings for reviewing the quarterly, interim, and annual financial results and reports as well as the financial reporting and compliance procedures, internal control and risk management systems and the effectiveness of the internal audit function, scope of work and appointment of external auditor.

NOMINATION COMMITTEE

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

The Nomination Committee was established on 25 June 2016 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The primary duties of the Nomination Committee are to review the structure, size and diversity of the Board on a regular basis, assess the independence of independent non-executive Directors of the Company, and make recommendations to the Board regarding the appointment, retirement and re-election of Directors. During the year ended 31 December 2022, one meeting of the Nomination Committee was held to discuss, review and assess such matters.

NOMINATION POLICY

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

- Reputation for integrity;
- Achieve board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Merit and contribution that candidate will bring to the Board;
- Compliance with the criteria of independence as prescribed under the GEM Listing Rules for the appointment of an independent non-executive Director if the proposed candidate will be nominated as an independent non-executive Director; and
- Able to devote sufficient time and attention to the Company’s business.

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

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

BOARD DIVERSITY

The Board considers that its diversity is a vital asset to the business and has adopted a board diversity policy for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption, as set forth in the board diversity policy of the Company.

The members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. A majority of the Directors have more than 6 years' experience serving as an executive officer or a director of a company in the renewable energy industry. Additionally, the Board comprises members of different age groups (i.e. (a) 40-49 years old: 2 Directors and (b) 50-59 years old: 5 Directors;) and different places of residences (i.e. (a) China: 4 Directors and (b) Hong Kong: 3 Directors). Based on the foregoing, the composition and diversity of the Board enable the management to benefit from a diverse and objective external perspective, on issues raised before the Board.

Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set forth on pages 13 to 14 in this annual report.

The Board has one female Director, and the Board will endeavour to at least maintain female representation on the Board and take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. As of 31 December 2022, among the 518 employees (including senior management) of the Group, the percentages of male employees and female employees are 75% and 25%, respectively. The Board considers that the Group's workforce (including senior management) is diverse in terms of gender.

The Nomination Committee was of the opinion that the Board consisted of members with diversified gender, age, cultural and education background, professional/business experience, skills and knowledge. No new Director had been appointed during the year. Further details for the diversity, including the gender diversity, in the workforce during the year ended 31 December 2022 are set forth in the Environmental, Social and Governance Report dated 31 March 2023 of the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The statement of the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 43 to 49 in this annual report.

AUDITOR'S REMUNERATION

The professional fee charged by the external auditor of the Company, BDO Limited, for the year ended 31 December 2022 is as follows:

	<i>HK\$</i>
Services in respect of:	
– auditing services in respect of the annual financial statements of the Group	1,160,000
– professional services in connection with rights issue of the Company	120,000
	<u>1,280,000</u>

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

- Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;
- Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;
- Important business functions or activities are managed by experienced, qualified and suitably trained staff;
- Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary; and
- Internal audit function to perform independent appraisal of major operations on an ongoing basis.

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

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2022.

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

Based on the results of the internal control review for the year ended 31 December 2022 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2022.

CORPORATE GOVERNANCE REPORT

DIRECTORS' INDUCTION AND PARTICIPATION IN CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

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

COMPANY SECRETARY

The company secretary is Mr. CHEUNG Siu On Victor, a fellow member of the HKICPA. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. Further information on his biography is set forth on page 15 of this annual report. Mr. CHEUNG has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to develop and maintain continuing relationships and effective communications with its Shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established a shareholders communication policy. The Board reviewed the implementation and effectiveness of the shareholders communication policy and the results were satisfactory.

The Company has established the following channels for maintaining an on-going dialogue with its Shareholders:

- (i) the annual general meeting provides a forum for the Shareholders of the Company to raise comments and exchange views with the Board. The Directors are available at the annual general meetings of the Company to address Shareholders' queries;
- (ii) quarterly, interim and annual results are announced as early as possible, to keep the Shareholders of the Company informed of the Group's performance and operations;
- (iii) the Company maintains a website at www.xinyies.com, where updated key information/news of the Group is available for public access; and
- (iv) Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the Company Secretary or via e-mail to "ir@xyglass.com.hk".

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2022.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The Group's financial performance for the year ended 31 December 2022 is set forth in the consolidated statement of profit or loss and other comprehensive income on pages 50 to 51 in this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022.

BUSINESS REVIEW AND PROSPECTS

A business review of the Group for the year ended 31 December 2022 and its future development is set forth in the Chairman's Statement from pages 3 to 5 and Management Discussion and Analysis from pages 6 to 12 in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

- *Exhaust air*: The Group adopted de-ionized water, which is totally no harmful to the environment when vaporized, as a solvent for mixing of anode powders for production of lithium battery. N-Methyl Pyrrolidone (NMP) is used as cathode solvent and its recovery rate is over 95% by using the condensing technique to realize continuous recapturing and air purification.
- *Solid wastes*: Packaging material for different raw materials and chemicals, scrap electrodes and general domestic waste are the major solid wastes. Most of the packaging materials were returned to the suppliers or sold to recycling companies.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has published its Environmental, Social and Governance report for the year ended 31 December 2022 on the Stock Exchange's website and the Company's website.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group values relationships with, and have been maintaining good relationships with its customers, raw material and equipment suppliers, service providers and the employees of the Group. During the year ended 31 December 2022, there were no material disputes between the Group and its customers, suppliers and employees.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Electric storage business

- The levels of demand and supply of battery pack and energy storage system, and lithium battery products are not entirely within the Group's control and are generally affected by the energy storage and forklift industries, the government support measures to the energy storage and forklift companies, the overall macroeconomic factors in the principal lithium battery and energy storage related markets, and the production capacity of other lithium battery and energy storage product manufacturers.
- The Group also relies on a stable supply of raw materials for its production requirement.

EPC Services business

- The levels of demand and supply of solar energy and EPC Services are not entirely within the Group's control and are generally affected by government support measures for clean energy and overall macroeconomic factors.
- The performance of the EPC Services business is dependent on the Group's ability to source quality products and subcontractors at reasonable prices.

PV Films business

- The levels of demand and supply of the PV Films are not entirely within the Group's control and are generally affected by the solar energy industry, the government support measures to the solar energy companies, the overall macroeconomic factors in the principal solar energy related markets, and the production capacity of other PV Film manufacturers.
- The Group also relies on a stable supply of raw materials for its production requirement.

REPORT OF THE DIRECTORS

Automobile glass repair and replacement services business

- Our business and financial conditions and operating results depend on the constant supply of automobile glass and our ability to effectively manage and maintain our level of inventories.
- Our profitability is subject to the rise and fluctuation of the prices of the automobile glass.
- Any complaints or claims by our customers or negative publicity on our Group could materially and adversely affect our reputation and business.

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

Details of the Group's exposure to foreign exchange risk and other financial risks are set forth in the paragraphs under "Treasury Policies and Exposure to Fluctuation in Exchange Rates" in the section headed "Management Discussion and Analysis" on page 11 and paragraphs under "Financial Risk Management and Fair Value Measurement" in Note 33 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the consolidated results of the Group for the past five years ended 31 December 2022 and the consolidated assets and liabilities of the Group as of 31 December 2018, 2019, 2020, 2021 and 2022 is set forth in the section headed "Financial Summary" in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 31 December 2022 are set forth in Note 14 to the consolidated financial statements in this annual report.

SHARES ISSUED DURING THE YEAR

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

DIVIDEND POLICY

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

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

- liquidity position of the Company;
- financial results;
- Shareholders' interests;
- general business conditions and strategies;
- capital requirements;
- contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any;

- taxation considerations;
- possible effects on the creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

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

DISTRIBUTABLE RESERVES

Under the Companies Act of the Cayman Islands, as of 31 December 2022, share premium amounting to HK\$922.0 million (31 December 2021: HK\$528.8 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As of 31 December 2022, the Company had no distributable reserve available for distribution to Shareholders (31 December 2021: Nil) other than mentioned above.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

Mr. NG Ngan Ho
Ms. LI Pik Yung

Non-executive Directors

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

Independent non-executive Directors

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

In accordance with Article 108 of the Articles, Tan Sri Datuk TUNG Ching Sai, J.P., Mr. NG Ngan Ho, Mr. CHAN Hak Kan, S.B.S., J.P. will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the **"Annual General Meeting"**).

REPORT OF THE DIRECTORS

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

- (i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;
- (ii) non-cash benefits may be provided to the executive Directors under their remuneration package; and
- (iii) the executive Directors may be granted options pursuant to the share option scheme of the Company (the "**Share Option Scheme**"), as part of their remuneration package.

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

Save for the remuneration of HK\$189,000 for each independent non-executive Director in 2022, none of the independent non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, S.B.S., J.P. and their mutual agreement with the Company.

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

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

Except for the continuing connected transaction disclosed on pages 39 to 41 and the related parties transactions disclosed in Note 32 to the consolidated financial statements in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme in May 2017. The following table sets forth movements in the share options of the Company for the year ended 31 December 2022:

	Grant date	Exercise price (HK\$)	Exercise period	Number of share options						
				At 1/1/2022	Adjustment for			Lapsed	At 31/12/2022	
					Granted	the rights issue	Exercised			Cancelled
Executive Director										
Ms. LI Pik Yung	3/9/2019 ^(a)	1.135 ⁽²⁾	1/4/2022 - 31/3/2023	44,656	—	717 ⁽²⁾	(45,373) ⁽⁴⁾	—	—	—
	24/8/2020 ⁽⁷⁾	1.357 ⁽²⁾	1/4/2023 - 31/3/2024	44,656	—	717 ⁽²⁾	—	—	—	45,373
	11/5/2021 ⁽⁸⁾	4.655 ⁽²⁾	1/4/2024 - 31/3/2025	44,656	—	717 ⁽²⁾	—	—	—	45,373
	11/5/2022 ⁽⁹⁾	3.846 ⁽²⁾	1/4/2025 - 31/3/2026	—	66,000 ⁽¹⁾	1,059 ⁽²⁾	—	—	—	67,059
Chief executive officer										
Mr. ZHA Xue Song (resigned on 4 August 2022)	18/12/2020 ⁽⁸⁾	1.978 ⁽²⁾	1/4/2024 - 31/3/2025	1,014,898	—	—	—	—	(1,014,898)	—
	11/5/2021 ⁽⁸⁾	4.655 ⁽²⁾	1/4/2024 - 31/3/2025	44,656	—	—	—	—	(44,656)	—
	11/5/2022 ⁽⁹⁾	3.846 ⁽²⁾	1/4/2025 - 31/3/2026	—	66,000 ⁽¹⁾	—	—	—	(66,000)	—
Mr. WANG Mohan (appointed on 4 August 2022)	18/12/2020 ⁽⁸⁾	4.655 ⁽²⁾	1/4/2024 - 31/3/2025	3,044,694	—	48,858 ⁽²⁾	—	—	—	3,093,552
	11/5/2022 ⁽⁹⁾	3.846 ⁽²⁾	1/4/2025 - 31/3/2026	—	42,000 ⁽¹⁾	674 ⁽²⁾	—	—	—	42,674
	4/8/2022	6.800	1/4/2025 - 31/3/2026	—	1,500,000 ⁽¹⁾	—	—	(1,500,000) ⁽⁵⁾	—	—
	25/8/2022 ⁽⁹⁾	6.210 ⁽²⁾	1/4/2025 - 31/3/2026	—	1,500,000 ⁽¹⁾	24,070 ⁽²⁾	—	—	—	1,524,070
Continuous contract employees										
	13/8/2018	1.917 ⁽²⁾	1/4/2021 - 31/3/2022	116,985	—	—	(116,985) ⁽³⁾	—	—	—
	3/9/2019 ^(a)	1.135 ⁽²⁾	1/4/2022 - 31/3/2023	402,912	—	1,699 ⁽²⁾	(259,475) ⁽⁴⁾	—	(57,126)	88,010
	24/8/2020 ⁽⁷⁾	1.357 ⁽²⁾	1/4/2023 - 31/3/2024	428,995	—	5,744 ⁽²⁾	—	—	(71,041)	363,698
	18/12/2020 ⁽⁸⁾	1.978 ⁽²⁾	1/4/2024 - 31/3/2025	6,393,858	—	102,601 ⁽²⁾	—	—	—	6,496,459
	11/5/2021 ⁽⁸⁾	4.655 ⁽²⁾	1/4/2024 - 31/3/2025	1,475,659	—	21,525 ⁽²⁾	—	—	(134,271)	1,362,913
	11/5/2022 ⁽⁹⁾	3.846 ⁽²⁾	1/4/2025 - 31/3/2026	—	1,426,000 ⁽¹⁾	22,642 ⁽²⁾	—	—	(15,000)	1,433,642
				<u>13,056,625</u>	<u>4,600,000</u>	<u>231,023</u>	<u>(421,833)</u>	<u>(1,500,000)</u>	<u>(1,402,992)</u>	<u>14,562,823</u>

Notes:

- The closing prices of the shares immediately before the date on which the options were granted on 11 May 2022, 4 August 2022 and 25 August 2022 were HK\$3.860, HK\$6.000 and HK\$6.320, respectively.
- As a result of the rights issue completed in September 2022, adjustments to the exercise price and the number of Shares to be issued upon exercise of the outstanding share options were made pursuant to the terms and conditions of the Share Option Scheme, Rule 23.03(13) of the GEM Listing Rules in relation to the adjustment to the terms of the Share Option Scheme, the Supplementary Guidance on GEM Listing Rule 23.03(13) and the Note Immediately After the Rule attached to the Frequently Asked Question No. 072-2020 issued by the Stock Exchange on 6 November 2020.

REPORT OF THE DIRECTORS

3. The weighted average closing price of shares immediately before the dates on which the share options were exercised was HK\$3.976.
4. The weighted average closing price of shares immediately before the dates on which the share options were exercised was HK\$5.089.
5. The share options granted on 4 August 2022 were subsequently cancelled on 9 August 2022.
6. One third of the share options shall vest on each of the year-end date of 2019, 2020 and 2021.
7. One third of the share options shall vest on each of the year-end date of 2020, 2021 and 2022.
8. One third of the share options shall vest on each of the year-end date of 2021, 2022 and 2023.
9. One third of the share options shall vest on each of the year-end date of 2022, 2023 and 2024.

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

(i) Purpose

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

(ii) Participants

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

(iii) Maximum number of shares

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

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

As of the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 37,219,095 shares, representing 4.7% of the issued share capital of the Company.

(iv) Maximum entitlement of each Participant

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

(v) Option period

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

(vi) Acceptance and payment on acceptance

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

(vii) Option price for subscription of shares

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

- (a) the official closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, which must be a business day;
- (b) the average of the official closing prices of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of a Share.

REPORT OF THE DIRECTORS

(viii) Remaining life of the Share Option Scheme

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

The number of share options available for grant under the Share Option Scheme was 40,632,780 share options as of 1 January 2022 and 37,204,749 share options as of 31 December 2022.

The number of Shares that may be issued in respect of the options granted under the Share Option Scheme during the year ended 31 December 2022 divided by the weighted average number of the Shares in issue for the year ended 31 December 2022 is 0.42%.

During the year ended 31 December 2022, a total of 3,100,000 share options (excluding 1,500,000 share options cancelled on 9 August 2022) granted to the Company's employee participants, the Directors and/or senior managers (collectively, the "Grantees") of the Company, among of which 1,033,333 share options, representing one third of the total share options granted, vested on 31 December 2022. Having considered that (i) such share options vested where the performance target are satisfied during the performance period commenced from 1 January 2022 and ended on 31 December 2022, which is not less than 12 months, and (ii) the total vesting and holding period of the share options is more than 12 months, the Remuneration Committee and the Board consider that the grant of such share options with a shorter vesting period could align the interests of the Grantees with that of the Company and the Shareholders, reward and provide incentive to the Grantees to work towards success of the Group, and reinforce their commitment to long-term services of the Group, which is in line with the purpose of the Share Option Scheme.

There is no clawback mechanism attached to the share options granted to the Grantees. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions the grantees had or may have made to the Group. The Share Option Scheme also provides the grantees with an opportunity to have a personal stake in the Company with the view to satisfied the objectives of (i) motivate the grantees to optimise their performance efficiency for the benefit of the Group and (ii) attract and retain or otherwise maintain on-going business relationship with the grantees whose contributions are or will be beneficial to the long-term growth of the Group. Having considered that (i) the Grantees are the employees of the Group who will contribute directly to the overall business performance, sustainable development and/or good corporate governance of the Group; (ii) the grant of share options to the Grantees is a recognition for their past contributions to the Group; and (iii) the share options are subject to the terms of the Share Option Scheme which provides for circumstances under which the share options or any part thereof shall lapse in the event that the Grantees cease to be an employees of the Group or commit a breach of the rules of the Share Option Scheme, the Remuneration Committee and the Board consider that without additional clawback mechanism, the grant of the share options could align the interests of the Grantees with that of the Company and the Shareholders, reward and provide incentive to the Grantees to work towards successes of the Group, and reinforce their commitment to long-term services of the Group, which is in line with the purpose of the Share Option Scheme.

Saved as disclosed above, the Company did not make any grant of share options to the Directors and/or senior managers as set forth in Rule 23.03F, 23.06B(7) and (8) of the GEM Listing Rules during the year ended 31 December 2022.

Further details of the Share Option Scheme are set forth in Note 29 to the consolidated financial statements in this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management as of the date of this annual report are set forth on pages 13 to 15 in this annual report.

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

As of 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long positions in the Shares

Name of Director/ Chief Executive	Capacity	Name of the controlled corporation	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Tan Sri Datuk TUNG Ching Sai, J.P.	Interest in a controlled corporation	Copark ⁽¹⁾ (as defined below)	46,114,672	5.87
		Full Guang ⁽³⁾ (as defined below)	9,441,143	1.20
	Personal interest/ Spouse interest ⁽¹⁾		122,495,571	15.60
	Interest in persons acting in concert ⁽²⁾		393,466,542	50.12
Mr. NG Ngan Ho	Interest in a controlled corporation	Linkall ⁽⁴⁾ (as defined below)	25,195,745	3.21
		Full Guang ⁽³⁾ (as defined below)	9,441,143	1.20
	Personal interest		1,343,100	0.17
	Interest in persons acting in concert ⁽²⁾		535,537,940	68.21
Ms. LI Pik Yung	Personal interest		148,328	0.02
Mr. WANG Mohan	Personal interest		62,000	0.01

REPORT OF THE DIRECTORS

Notes:

- (1) Tan Sri Datuk TUNG Ching Sai, J.P. is the beneficial owner of all the issued share capital of Copark Investment Limited ("**Copark**"), a company incorporated in the British Virgin Islands (the "**BVI**") and wholly-owned by Tan Sri Datuk TUNG Ching Sai, J.P., which is the registered owner of 46,114,672 Shares. Tan Sri Datuk TUNG Ching Sai, J.P. also has personal interest in 527,802 Shares held in his own name and 121,967,769 Shares held through his spouse, Puan Sri Datin SZE Tan Hung.
- (2) Pursuant to the shareholders' agreement dated 25 June 2016 entered into amongst the controlling shareholders (as defined in the GEM Listing Rules) (the "**Shareholders' Agreement**"), the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under the Xinyi Glass Distribution (as defined in the prospectus of the Company dated 28 June 2016).
- (3) The interests in Shares are held through Full Guang Holdings Limited ("**Full Guang**"), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai, J.P. as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- (4) Mr. NG Ngan Ho is the beneficial owner of all the issued share capital of Linkall Investment Limited ("**Linkall**"), a company incorporated in the BVI and wholly-owned by Mr. NG Ngan Ho, which is the registered owner of 25,195,745 Shares.

(ii) Share options of the Company

Name of Director/ Chief Executive	Capacity	Number of share options outstanding	Approximate percentage of the issued share capital of the Company (%)
Ms. LI Pik Yung	Personal interest	157,805	0.02
Mr. WANG Mohan	Personal interest	4,660,296	0.59

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

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

Save as disclosed above, as of 31 December 2022, to the knowledge of the Company, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 31 December 2022, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Shares

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Dr. LEE Yin Yee, B.B.S.	Interest in a controlled corporation ⁽³⁾	132,990,198	16.94
	Interest in a controlled corporation ⁽⁴⁾	2,720,960	0.35
	Interest in a controlled corporation ⁽¹⁾	9,441,143	1.20
	Personal interest ⁽³⁾	41,311,215	5.26
	Interest in persons acting in concert ⁽²⁾	385,054,412	49.05
Mr. TUNG Ching Bor	Interest in a controlled corporation ⁽⁵⁾	48,878,216	6.23
	Interest in a controlled corporation ⁽¹⁾	9,441,143	1.20
	Personal interest ⁽⁵⁾	10,855,152	1.38
	Interest in persons acting in concert ⁽²⁾	502,343,417	63.99

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Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. LEE Sing Din	Interest in a controlled corporation ⁽⁶⁾	46,048,013	5.87
	Interest in a controlled corporation ⁽¹⁾	9,441,143	1.20
	Personal interest	3,769,755	0.48
	Interest in persons acting in concert ⁽²⁾	512,259,017	65.25
Mr. LI Ching Wai	Interest in a controlled corporation ⁽⁷⁾	21,323,578	2.72
	Interest in a controlled corporation ⁽¹⁾	9,441,143	1.20
	Interest in persons acting in concert ⁽²⁾	540,753,207	68.88
Mr. LI Man Yin	Interest in a controlled corporation ⁽⁸⁾	14,473,366	1.84
	Interest in a controlled corporation ⁽¹⁾	9,441,143	1.20
	Personal interest ⁽⁸⁾	1,876,710	0.24
	Interest in persons acting in concert ⁽²⁾	545,726,709	69.51
Mr. SZE Nang Sze	Interest in a controlled corporation ⁽⁹⁾	20,909,316	2.66
	Interest in a controlled corporation ⁽¹⁾	9,441,143	1.20
	Personal interest	1,212,420	0.15
	Interest in persons acting in concert ⁽²⁾	539,955,049	68.78
Mr. LI Ching Leung	Interest in a controlled corporation ⁽¹⁰⁾	14,287,863	1.82
	Interest in a controlled corporation ⁽¹⁾	9,441,143	1.20
	Personal interest/Spouse interest ⁽¹⁰⁾	6,270,935	0.80
	Interest in persons acting in concert ⁽²⁾	541,517,987	68.98
Madam TUNG Hai Chi	Interest in a controlled corporation ⁽⁴⁾	2,720,960	0.35
	Personal interest/Spouse interest ⁽¹¹⁾	568,796,968	72.45
Puan Sri Datin SZE Tan Hung	Personal interest/Spouse interest ⁽¹²⁾	571,517,928	72.80

Notes:

- (1) The interests in the Shares are held through Full Guang. Full Guang is owned by Dr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Tan Sri Datuk TUNG Ching Sai, J.P. as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.
- (2) Pursuant to the Shareholders' Agreement, each of the parties has agreed to grant a right of first offer to the other parties if any of them intends to sell their Shares allotted to them under the Xinyi Glass Distribution.
- (3) Dr. LEE Yin Yee, B.B.S.'s interests in 132,990,198 Shares are held through Realbest Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Dr. LEE Yin Yee, B.B.S.. Dr. LEE Yin Yee, B.B.S.'s interests in 41,311,215 Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.
- (4) Dr. LEE Yin Yee, B.B.S.'s interests in the 2,720,960 Shares are held through Xin Yuen Investment Limited, a company incorporated in the BVI with limited liability on 17 January 2019, which is wholly-owned by Xin Wong Investment Limited ("**Xin Wong**"). Xin Wong is 50% owned by Dr. LEE Yin Yee, B.B.S. and 50% owned by his spouse, Madam TUNG Hai Chi.
- (5) Mr. TUNG Ching Bor's interests in 48,878,216 Shares are held through High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. TUNG Ching Bor's interests in 10,855,152 Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.
- (6) Mr. LEE Sing Din's interests in 46,048,013 Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din.
- (7) Mr. LI Ching Wai's interests in 21,323,578 Shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.
- (8) Mr. LI Man Yin's interests in 14,473,366 Shares are held through Perfect All Investments Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Man Yin. Mr. LI Man Yin's interests in 1,876,710 Shares are held through a joint account with his spouse, Madam LI Sau Suet.
- (9) Mr. SZE Nang Sze's interests in 20,909,316 Shares are held through Goldpine Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.
- (10) Mr. LI Ching Leung's interests in 14,287,863 Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung has personal interests in 6,198,335 Shares held in his own name and 72,600 Shares held through his spouse, Madam DY Maria Lumin.
- (11) Madam TUNG Hai Chi's interests in 41,311,215 Shares are held through a joint account with her spouse, Dr. LEE Yin Yee, B.B.S. and 527,485,753 Shares are held through her spouse, Dr. LEE Yin Yee, B.B.S..
- (12) Puan Sri Datin SZE Tan Hung has personal interests in 121,967,769 Shares held in her own name and 449,550,159 Shares held through her spouse, Tan Sri Datuk TUNG Ching Sai, J.P..

Save as disclosed above, as of 31 December 2022, the Company had not been notified by any persons (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

REPORT OF THE DIRECTORS

NO COMPETING BUSINESS

The Company and Xinyi Solar are both engaged in the provision of EPC Services. Xinyi Solar is controlled by certain Directors and the Controlling Shareholders. 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 or their respective associates (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete, either directly or indirectly, with the business of the Group or have any other conflicts of interests which any such person has or may have with the Group. During the year ended 31 December 2022, the independent non-executive Directors have reviewed on behalf of the Company the compliance with Deed of Non-competition (as defined in the prospectus of the Company dated 28 June 2016) and are satisfied that the controlling shareholders of the Group and their associates have complied with the provisions of the Deed of Non-competition.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2022, appropriate insurance covering for the Directors' and senior management's liabilities arising from or incidental to execution of duties of his/her office has been arranged by the Company. Permitted indemnity provision is currently in force and was in force throughout the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, sales to the Group's five largest customers accounted for approximately 41.7% of total sales and sales to the largest customer included therein amounted to approximately 15.4% of total sales. Purchases from the Group's five largest suppliers accounted for approximately 36.3% of total purchases during the year ended 31 December 2022 and purchases from the largest supplier included therein amounted to approximately 13.0% of total purchases. None of the Directors, their close associates (as defined in the GEM Listing Rules) or any of the Controlling Shareholders which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers and five largest suppliers during the year ended 31 December 2022.

BANK BORROWINGS

As at 31 December 2022, the Group had bank borrowings of HK\$339.0 million (31 December 2021: HK\$227.3 million). Particulars of the bank borrowings are set forth in Note 23 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As of 31 December 2022, we had about 518 full-time employees and most of them are based in the PRC, Hong Kong, Canada and Malaysia. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee. Details of the employee benefit expenses of the Group for the year ended 31 December 2022 are set forth in Note 8 to the consolidated financial statements in this annual report. The Directors confirm that the Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products, services and business processes.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2022 are set forth in Note 32 to the consolidated financial statements in this annual report. The related party transactions fall under the definition of connected transactions and continuing connected transactions under the GEM Listing Rules (as disclosed below) have complied with the requirements under Chapter 20 of the GEM Listing Rules. Some of these transactions also constitute "connected transaction" and "non-exempt continuing connected transactions" under Chapter 20 of the GEM Listing Rules, as identified below. Save for the aforementioned, other related party transactions as set out in Note 32 to the consolidated financial statements in this annual report were entitled to full exemption from the annual review and disclosure requirements under Chapter 20 of the GEM Listing Rules.

Non-exempt continuing connected transactions

During the year ended 31 December 2022, the Group had the following non-exempt continuing connected transactions, details of which are set forth below:

(1) Purchase of glass products

On 22 December 2021, the Group entered into a glass supply framework agreement ("**Glass Supply Framework Agreement**") with Xinyi International Investments Limited and Xinyi Group (Glass) Company Limited, both of which are subsidiaries of Xinyi Glass, in relation to the purchase of automobile glass products by the Group from Xinyi Glass Group. The purpose of the Glass Supply Framework Agreement was to secure a stable and reliable supply source of automobile glass products which can satisfy our specifications and quality requirements. The maximum aggregate amount to be paid was set at HK\$7.3 million, HK\$7.9 million and HK\$8.6 million for the year ended 31 December 2022, and years ending 31 December 2023 and 2024 respectively. Xinyi Glass is a company with common controlling shareholders with the Company, and is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the Glass Supply Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

For the year ended 31 December 2022, the purchase of automobile glass products by the Group from Xinyi Glass Group amounted to HK\$6.9 million, which was within the maximum aggregate amount of the Glass Supply Framework Agreement.

REPORT OF THE DIRECTORS

(2) *Wind farm management service*

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

For the year ended 31 December 2022, the management fee received by the Group from the Wind Farm Owner amounted to RMB8.0 million (equivalent to approximately HK\$9.3 million), which was within the maximum aggregate amount of the Wind Farm Management Agreement.

(3) *Sales of electric storage products*

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

For the year ended 31 December 2022, the sales of battery packs and energy storage systems by the Group to Xinyi Glass Group and Xinyi Solar Group amounted to RMB5.6 million (equivalent to approximately HK\$6.5 million) and RMB12.3 million (equivalent to approximately HK\$14.4 million) respectively, which were within the maximum aggregate amount of the Xinyi Glass Sales Framework Agreement and Xinyi Solar Sales Framework Agreement.

(4) *Purchase of steam*

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

For the year ended 31 December 2022, the purchase of steam by the Group from Xinyi Glass (Jiangsu) amounted to RMB1.9 million (equivalent to approximately HK\$2.2 million), which was within the maximum aggregate amount of the Steam Supply Agreement.

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

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

- (a) in the ordinary and usual course of business of the Group;
- (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 20.54 of the GEM Listing Rules, the Company's auditor was engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 39 to 40 in this annual report in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

The Company established an Audit Committee on 25 June 2016 with written terms of reference in compliance with the requirements of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control system of the Group, nominate and monitor external auditor and to provide advice and comments to the Board on matters related to corporate governance. The members of the Audit Committee include three independent non-executive Directors, namely Mr. WANG Guisheng, Mr. NG Wai Hung and Mr. CHAN Hak Kan, S.B.S., J.P.. Mr. WANG Guisheng is the chairman of the Audit Committee. The Audit Committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the year ended 31 December 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.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

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

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of the Directors subsequent to the date of the 2022 interim report of the Company is as follows:

Mr. NG Wai Hung resigned as an independent non-executive director, a member of the audit committee and a member of the nomination committee of 1957 & Co. (Hospitality) Limited (stock code: 08495) with effect from 19 August 2022.

Mr. WANG Guisheng was appointed as the member of the environmental, social and governance committee of Smoore International Holdings Limited (stock code: 06969) with effect from 28 December 2022.

AUDITOR

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

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 2 June 2023, at 21st Floor, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 11:45 a.m.. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.xinyies.com and will be dispatched to the Shareholders in due course.

On behalf of the Board

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

Chairman

Hong Kong, 20 March 2023

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF XINYI ELECTRIC STORAGE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Xinyi Electric Storage Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 50 to 133, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Provision for inventories

(Refer to note 18 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to provision for inventories set out in note 4.2)

As at 31 December 2022, the carrying value of the Group's inventories amounted to HK\$519,419,000, net of impairment provision of HK\$1,914,000, which consisted mainly of solar modules, lithium battery products, battery pack and energy storage system products, raw materials of PV Films, and automobile glass for various car models. Inventories are carried at lower of cost and net realisable value in the consolidated financial statements.

As the demand of solar modules, lithium battery products, battery pack and energy storage system products are subject to future changes of technology development and automobile glass are complementary to various car models that change from time to time, management applies judgement in estimating the net realisable value of inventories taking into consideration of a number of factors, including market data of solar modules, lithium battery products, battery pack and energy storage system products and car models, gross margin of subsequent sales, sales and utilisation history, physical conditions and ageing of inventories. For the year ended 31 December 2022, inventories amounted to HK\$2,360,000 (2021: HK\$305,000) had been written off or provided for impairment after management's assessment.

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

Our response:

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

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

Revenue recognition on EPC Services

(Refer to note 5(a) to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to revenue recognition on EPC Services set out in note 4.1)

For the year ended 31 December 2022, revenue from EPC Services was approximately HK\$626,096,000. The Group has recognised revenue from the provision of EPC Services over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the EPC Services. We identified the recognition of revenue from EPC Services as a key audit matter as it is quantitatively significant to the consolidated financial statements as a whole.

Our response:

Our procedures in relation to revenue recognition on EPC Services included:

- obtained an understanding of the management's internal control and assessment processes, assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as subjectivity of assumptions and susceptibility to management bias;
- understood, evaluated and validated key controls over revenue recognition on EPC Services contracts;
- inspected the contract revenue, on a sampled basis, to the signed EPC Services contracts and reviewed the contracts for any specific or special performance obligations and conditions during the financial period;
- tested the actual costs incurred as at the end of the reporting period and performed testing, on a sample basis, by checking to the underlying documents supporting these costs (including invoices of material costs, subcontracted installers costs);
- tested the percentage of completion based on the latest budgeted cost and total actual cost incurred; and
- tested mathematical accuracy of the calculations of contract revenue and costs.

INDEPENDENT AUDITOR'S REPORT

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

(Refer to note 19 to the consolidated financial statements and the Group's critical accounting estimates and judgements in relation to impairment of trade receivables, finance lease receivables and contract assets set out in note 4.4)

As at 31 December 2022, the Group had gross trade receivables, finance lease receivables and contract assets amounting to HK\$703,099,000, and the allowance for impairment loss was HK\$3,001,000.

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

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

Our responses:

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

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT

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

BDO Limited

Certified Public Accountants

Au Yiu Kwan

Practising Certificate Number P05018

Hong Kong, 20 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	5	1,066,247	506,187
Cost of revenue		(900,916)	(380,048)
Gross profit		165,331	126,139
Other income	6	6,544	35,986
Other gains, net	6	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	10	3,441	1,795
Finance costs	10	(4,781)	—
Profit before income tax	7	76,807	86,955
Income tax expense	11	(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

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>
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 for the year 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>	(Restated) <i>HK Cents</i>
Earnings per share attributable to owners of the Company for the year			
– Basic	12	6.15	9.34
– Diluted	12	6.11	9.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	628,091	370,545
Intangible assets	15	23,686	11,716
Financial asset at fair value through other comprehensive income	16	25,440	23,244
Interests in an associate	17	303	308
Trade receivables	19	—	7,456
Finance lease receivables	19	183,544	53,763
Prepayments for property, plant and equipment	19	105,199	8,308
		966,263	475,340
Current assets			
Inventories	18	519,419	180,017
Contract assets, trade and other receivables and prepayments	19	628,183	352,032
Income tax recoverable		1,872	474
Pledged bank deposits	20	26,204	7,054
Cash and cash equivalents	20	162,055	433,154
		1,337,733	972,731
Current liabilities			
Contract liabilities, trade and other payables	21	774,173	414,658
Provision for tax		7,810	18,760
Lease liabilities	22	5,804	5,564
Bank borrowings	23	208,423	105,000
		996,210	543,982
Net current assets		341,523	428,749
Total assets less current liabilities		1,307,786	904,089

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current liabilities			
Lease liabilities	22	4,431	3,139
Bank borrowings	23	130,601	122,343
Deferred tax liabilities	24	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	25	7,851	7,133
Reserves		<u>1,119,262</u>	<u>746,833</u>
		<u>1,127,113</u>	<u>753,966</u>
Non-controlling interests		<u>23,377</u>	<u>15,368</u>
Total equity		<u>1,150,490</u>	<u>769,334</u>

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

NG Ngan Ho
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital HK\$'000 (note 25)	Share premium* HK\$'000 (note 27(b))	Capital reserves* HK\$'000 (note 27(a))	Share-based payments reserve* HK\$'000	Exchange reserve* HK\$'000	Financial asset at fair value through other comprehensive income reserve* HK\$'000	Statutory reserves* HK\$'000 (note 27(c))	Retained profits* HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance as at 1 January 2021	6,482	234,150	13,587	505	14,305	10,710	10,652	151,917	442,308	171	442,479
Profit for the year	—	—	—	—	—	—	—	62,629	62,629	3,692	66,321
Other comprehensive income											
<i>Item that may be subsequently reclassified to profit or loss:</i>											
– Exchange differences on translation of financial statements of operations	—	—	—	—	11,844	—	—	—	11,844	(59)	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	—	—	—	—	—	5,948	—	—	5,948	—	5,948
Total comprehensive income for the year	—	—	—	—	11,844	5,948	—	62,629	80,421	3,633	84,054
Transactions with owners											
Issue of shares by rights issue, net of expenses (note 26)	649	227,457	—	—	—	—	—	—	228,106	—	228,106
Capital injection into a non-controlling interest	—	—	—	—	—	—	—	—	—	11,564	11,564
Employees share option scheme:											
– proceed from issue of shares (note 29)	2	569	—	(139)	—	—	—	—	432	—	432
– share-based payment expense (note 29)	—	—	—	2,699	—	—	—	—	2,699	—	2,699
– adjustment relating to forfeiture of share options (note 29)	—	—	—	(6)	—	—	—	6	—	—	—
Appropriation to statutory reserve	—	—	—	—	—	—	4,461	(4,461)	—	—	—
Total transactions with owners	651	228,026	—	2,554	—	—	4,461	(4,455)	231,237	11,564	242,801
Balance as at 31 December 2021	7,133	462,176	13,587	3,059	26,149	16,658	15,113	210,091	753,966	15,368	769,334

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital HK\$'000 (note 25)	Share premium* HK\$'000 (note 27(b))	Capital reserves* HK\$'000 (note 27(a))	Share-based payments reserve* HK\$'000	Exchange reserve* HK\$'000	Financial asset at fair value through other comprehensive income reserve* HK\$'000	Statutory reserves* HK\$'000 (note 27(c))	Retained profits* HK\$'000	Total Non-controlling interests HK\$'000	Total equity HK\$'000	
Balance as at 1 January 2022	7,133	462,176	13,587	3,059	26,149	16,658	15,113	210,091	753,966	15,368	769,334
Profit for the year	—	—	—	—	—	—	—	45,898	45,898	9,032	54,930
Other comprehensive income											
<i>Item that may be subsequently reclassified to profit or loss:</i>											
– Exchange differences on translation of financial statements of operations	—	—	—	—	(73,941)	—	—	—	(73,941)	(1,023)	(74,964)
<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	—	—	3,724	—	3,724
Total comprehensive income for the year	—	—	—	—	(73,941)	3,724	—	45,898	(24,319)	8,009	(16,310)
Transactions with owners											
Issue of shares by rights issue, net of expenses (note 26)	714	392,487	—	—	—	—	—	—	393,201	—	393,201
Employees share option scheme:											
– proceed from issue of shares (note 29)	4	737	—	(166)	—	—	—	—	575	—	575
– share-based payment expense (note 29)	—	—	—	3,690	—	—	—	—	3,690	—	3,690
– adjustment relating to forfeiture of share options (note 29)	—	—	—	(6)	—	—	—	6	—	—	—
Appropriation to statutory reserve	—	—	—	—	—	—	5,335	(5,335)	—	—	—
Total transactions with owners	718	393,224	—	3,518	—	—	5,335	(5,329)	397,466	—	397,466
Balance as at 31 December 2022	7,851	855,400	13,587	6,577	(47,792)	20,382	20,448	250,660	1,127,113	23,377	1,150,490

* These reserve accounts comprise the consolidated reserves of HK\$1,119,262,000 (2021: HK\$746,833,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities			
Profit before income tax		76,807	86,955
Adjustments for:			
Finance income	10	(3,441)	(1,795)
Finance costs	10	4,781	—
Depreciation charge	14	35,946	13,924
Amortisation charge	15	1,943	1,375
Share of results of an associate	17	5	4
Share-based compensation	29	3,690	2,699
Impairment loss on contract assets, finance lease receivables, trade and other receivables		1,565	702
Impairment loss and write-off of other receivables		—	3,169
Loss on disposal of property, plant and equipment		1,563	4,296
Write-off and provision for impairment of inventories	18	2,360	305
Rent concessions	22	(48)	—
Operating profit before working capital changes		125,171	111,634
Increase in inventories		(370,907)	(142,697)
Increase in contract assets, trade and other receivables and prepayments		(451,445)	(285,066)
Increase in contract liabilities, trade and other payables		432,276	319,450
Cash (used in)/generated from operations		(264,905)	3,321
Interest paid		(12,099)	(1,883)
Income tax paid		(19,451)	(1,200)
<i>Net cash (used in)/generated from operating activities</i>		(296,455)	238
Cash flows from investing activities			
Purchase of property, plant and equipment		(450,966)	(162,480)
Addition of intangible assets	15	(15,473)	—
Investment in an associate		—	(312)
Increase in pledged bank deposits		(20,592)	(6,939)
Government subsidy in respect of the purchase of property, plant and equipment	14	13,849	—
Proceeds from disposal of property, plant and equipment		529	556
Interest received		3,441	1,795
<i>Net cash used in investing activities</i>		(469,212)	(167,380)
Cash flows from financing activities			
Proceeds from the rights issue, net of expenses	26	393,201	228,106
Proceeds from issue of shares by share options		575	432
Proceeds from bank borrowings	34	424,383	277,456
Repayments of bank borrowings	34	(312,702)	(58,113)
Repayments of capital element of lease liabilities	34	(6,997)	(4,339)
<i>Net cash generated from financing activities</i>		498,460	443,542
Net (decrease)/increase in cash and cash equivalents		(267,207)	276,400
Cash and cash equivalents at 1 January		433,154	152,930
Effect of foreign exchange rate changes, on cash held		(3,892)	3,824
Cash and cash equivalents at 31 December	20	162,055	433,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in the business of the automobile glass repair and replacement business in Hong Kong and the production and sales of electric storage products 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 of Hong Kong Limited (the "Stock Exchange") ("GEM") since 11 July 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 50 to 133 have been prepared in accordance with HKFRSs which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

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

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

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

3.2 Subsidiaries

(a) Consolidation

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

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

(b) Separate financial statements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Associates

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Segment reporting

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

3.5 Foreign currency translation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Intangible assets

(a) Internally generated intangible assets

Costs associated with research activities are expensed in profit or loss as they occur. Costs that directly attributable to the development activities are recognised as intangible assets provided they meet the following recognition requirements:

- (i) demonstration of technical feasibilities of the prospective product internal use or sale;
- (ii) sufficient technical, financial and other resources are available for completion;
- (iii) there is intention to complete the intangible asset and use or sell it;
- (iv) the Group's ability to use or sell the intangible asset is demonstrated;
- (v) the intangible asset will generate probable economic benefits through internal use or sale; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

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

(b) Externally acquired intangible assets

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

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

3.8 Impairment of non-financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of non-financial assets (Continued)

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

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

3.9 Financial assets

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

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

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

Debt instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (Continued)

Equity instruments

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

Impairment loss on financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

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

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

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

3.10 Inventories

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

3.11 Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Equity

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

3.13 Financial liabilities

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

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

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

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

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

Trade and other payables

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

Borrowings

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

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

Lease liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Borrowing costs

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

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

3.15 Leases

(a) The Group as a lessee

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

Leasehold land	Over the lease period of 33 years
Land use right	Over the lease period of 35 to 50 years

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

(i) Right-of-use asset

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Leases (Continued)

(a) The Group as a lessee (Continued)

(ii) Lease liability

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

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

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

(b) The Group as a lessor

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue recognition

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue recognition (Continued)

(a) Sales of goods

Revenue from sales of goods of the Group comprises:

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

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

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

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

(b) Provision of EPC Services for photovoltaic power stations

The Group is engaged in the provision of EPC Services for photovoltaic power stations.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Revenue recognition (Continued)

(b) Provision of EPC Services for photovoltaic power stations (Continued)

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

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

Contract assets and liabilities

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

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

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

(c) Provision of wind-farm management service

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

(d) Other income

Interest income is presented as finance income in the consolidated statement of profit or loss, where it is earned from financial assets that are held for cash management purposes. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Government grants

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

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

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

3.18 Financial guarantees

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

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

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

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

3.19 Provisions and contingent liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Accounting for income taxes

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

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

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

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

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

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

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

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Employee benefits

(i) Short-term employee benefits

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

(ii) Pension obligations

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

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

(iii) Bonus plans

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

(iv) Equity settled share-based payment transactions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Employee benefits (Continued)

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

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

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

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium). When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.22 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Related parties (Continued)

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependants of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4.1 Revenue from provision of EPC Services

EPC Services income is recognised according to the percentage of completion of individual EPC Services contract, which is measured by reference to the contract costs incurred to date as a proportion to total estimated contract cost. Contract assets/contract liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of EPC Services income and contract assets/contract liabilities requires significant management judgement and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and project staff costs, are supported by contract budget which was prepared by the management of the Company. In order to ensure that the total estimated contract costs are accurate and up-to-date such that EPC Services income can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly. Notwithstanding that the management regularly reviews and revises contract budgets when those EPC Services contracts progressed, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the consolidated financial statements.

4.2 Write-down of inventories to net realisable value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.3 *Estimation of the fair value of a financial asset at FVOCI*

The Group had an 18% equity interests of an unlisted company, which has a wind-farm in the PRC with grid-connection since 2017. The investment was accounted for as a financial asset at FVOCI and requires subsequent re-measurement at fair value at each reporting date. As at 31 December 2022, the carrying amount of the financial asset at FVOCI was approximately HK\$25,440,000 (2021: HK\$23,244,000). The methodologies, models, assumptions used in determining the fair value of financial asset at FVOCI not traded in an active market require judgement, which are mainly based on market conditions existing at each reporting date.

4.4 *Impairment of contract assets, finance lease receivables and trade and other receivables*

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

4.5 *Research and development costs*

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each reporting period. In addition, all internal activities related to the research and development of new products are continuously monitored by the Group's management.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.7 *Impairment assessment of property, plant and equipment*

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

4.8 *Current and deferred income tax*

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

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

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

- (a) The lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- (b) The lessee has the option to purchase the underlying asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- (c) The lease term is for the major part of the economic life of the asset, even if title is not transferred;
- (d) At the inception of the lease, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset;
- (e) The underlying assets are of a specialised nature such that only the lessee can use them without major modification being made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. SEGMENT INFORMATION

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

The executive directors determine the reportable segments from service/product perspective. The executive directors identified 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 manufacturing business of lithium battery products and the development 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 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 is development in wind farm projects in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. SEGMENT INFORMATION (CONTINUED)

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

(a) Segment results

	Year ended 31 December 2022					
	Electric storage business HK\$'000	EPC Services HK\$'000	PV Films HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	271,682	626,096	76,977	44,708	46,784	1,066,247
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
	271,682	621,278	76,977	44,708	46,784	1,061,429
Revenue from other source:						
Finance lease income	—	4,818	—	—	—	4,818
Total revenue	271,682	626,096	76,977	44,708	46,784	1,066,247
Cost of revenue	(252,318)	(495,091)	(84,298)	(34,609)	(34,600)	(900,916)
Gross profit/(loss)	19,364	131,005	(7,321)	10,099	12,184	165,331
Depreciation charge of property, plant and equipment	27,473	998	793	6,680	2	35,946
Amortisation charge of intangible assets	1,940	—	3	—	—	1,943

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. SEGMENT INFORMATION (CONTINUED)

(a) Segment results (Continued)

	Year ended 31 December 2021					
	Electric storage business HK\$'000	EPC Services HK\$'000	PV Films HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	101,089	309,688	—	42,713	52,697	506,187
Timing of revenue recognition within the scope of HKFRS 15						
– At a point in time	101,089	16,626	—	42,713	43,050	203,478
– Over time	—	292,483	—	—	9,647	302,130
	101,089	309,109	—	42,713	52,697	505,608
Revenue from other source:						
Finance lease income	—	579	—	—	—	579
Total revenue	101,089	309,688	—	42,713	52,697	506,187
Cost of revenue	(89,465)	(220,755)	—	(31,932)	(37,896)	(380,048)
Gross profit	11,624	88,933	—	10,781	14,801	126,139
Depreciation charge of property, plant and equipment	8,549	319	—	5,033	23	13,924
Amortisation charge of intangible assets	1,375	—	—	—	—	1,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. SEGMENT INFORMATION (CONTINUED)

(a) Segment results (Continued)

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

	2022 <i>HK\$'000</i>	2021 <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 <i>HK\$'000</i>	EPC Services <i>HK\$'000</i>	Total <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>123,647</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. SEGMENT INFORMATION (CONTINUED)

(b) Disaggregation of revenue from contract with customers

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

	2022 HK\$'000	2021 HK\$'000
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

	Year ended 31 December 2022					
	Electric storage business HK\$'000	EPC Services HK\$'000	PV Films HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
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>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. SEGMENT INFORMATION (CONTINUED)

(c) Segment assets and liabilities (Continued)

	Year ended 31 December 2021					
	Electric storage business HK\$'000	EPC Services HK\$'000	PV Films HK\$'000	Automobile glass repair and replacement services HK\$'000	Others HK\$'000	Total HK\$'000
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 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
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>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. SEGMENT INFORMATION (CONTINUED)

(c) Segment assets and liabilities (Continued)

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

	2022 HK\$'000	2021 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:

	2022 HK\$'000	2021 HK\$'000
Contract assets:		
– Provision of EPC Services	<u>134,674</u>	<u>201,553</u>
Contract liabilities:		
– 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. OTHER INCOME AND OTHER GAINS, NET

	2022 HK\$'000	2021 HK\$'000
Other income		
Government grants (note (a))	3,491	24,478
Compensation from landlord (note (b))	—	9,986
Others	3,053	1,522
	<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 (note 22)	48	—
Exchange gains, net	3,029	347
	<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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. PROFIT BEFORE INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories (note 18)	688,498	259,927
Write-off and provision for impairment of inventories (note 18)	2,360	305
Auditor's remuneration	1,160	880
Depreciation charge:		
– Property, plant and equipment owned (note 14)	28,267	9,041
– Right-of-use assets (note 14)	7,679	4,883
Amortisation charge (note 15)	1,943	1,375
Employee benefit expense (including directors' emoluments) (note 8)	71,345	56,037
Expense relating to short-term leases	1,665	2,443
Rent concessions (note 22)	(48)	—
Research and development expenses	22,035	17,475

8. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Wages and salaries	77,865	61,464
Bonus	12,736	7,879
Share-based compensation (note 29)	3,690	2,699
Pension costs – defined contribution scheme (note (a))	7,060	4,962
Others	3,043	1,709
	104,394	78,713
Less: Capitalised in inventories	(7,075)	(5,222)
Capitalised in construction-in-progress	(3,465)	(4,536)
Capitalised in development costs	(9,784)	—
Included in research and development expenses charged to profit or loss	(12,725)	(12,918)
	71,345	56,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Notes:

(a) Pension costs – defined contribution scheme

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

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

The employees of the subsidiary in Canada are members of the Canada Pension Plan operated by the Canadian government. The Group is required to contribute 5.7% (2021: 5.5%) of payroll costs to a retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director (2021: one director) whose emoluments were reflected in the analysis presented in note 9. The emoluments paid to the remaining four (2021: four) individuals are as follows:

	2022 HK\$'000	2021 HK\$'000
Wages and salaries	4,993	4,492
Bonus	911	—
Share-based compensation	4,837	2,647
Pension costs – defined contribution scheme	139	100
	10,880	7,239

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

Emolument bands	Number of individuals	
	2022	2021
HK\$1,000,000 – HK\$1,500,000	—	1
HK\$1,500,001 – HK\$2,000,000	2	2
HK\$2,500,001 – HK\$3,000,000	—	1
HK\$3,500,001 – HK\$4,000,000	1	—
HK\$4,000,001 – HK\$4,500,000	1	—

(c) During the year, no amounts were paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director and the chief executive officer for the years ended 31 December 2022 and 2021 is set out below:

Emoluments paid or payable in respect of a person's services as a director/chief executive whether of the Company or its subsidiary undertaking						
	Fees HK\$'000	Wages and salaries HK\$'000	Bonus HK\$'000	Share-based compensation HK\$'000	Pension costs – Defined contribution scheme HK\$'000	Total HK\$'000
Year ended 31 December 2022						
Executive directors						
LI Pik Yung	180	744	2,214	59	18	3,215
NG Ngan Ho	—	—	—	—	—	—
Non-executive directors						
TUNG Ching Sai	—	—	—	—	—	—
LEE Shing Kan	—	—	—	—	—	—
Independent non-executive directors						
WANG Guisheng	189	—	—	—	—	189
NG Wai Hung	189	—	—	—	—	189
CHAN Hak Kan	189	—	—	—	—	189
Chief executive officer						
ZHA Xue Song (resigned on 4 August 2022)	—	1,647	199	—	29	1,875
WANG Mohan (appointed on 4 August 2022)	—	1,510	427	1,309	65	3,311
	747	3,901	2,840	1,368	112	8,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) *Directors' emoluments*

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

During the year, none of the directors waived the remuneration and there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

(b) *Directors' retirement benefits*

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the year ended 31 December 2022 (2021: Nil).

(c) *Directors' termination benefits*

No payment was made to any directors as compensation for the early termination of the appointment during the year ended 31 December 2022 (2021: Nil).

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

No payment was made to the former employer of any directors for making available the services of them as a director of the Company during the year ended 31 December 2022 (2021: Nil).

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

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2022 (2021: Nil).

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

Except for the transactions disclosed in note 32, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022 (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. FINANCE INCOME AND COSTS

	2022 <i>HK\$'000</i>	2021 <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 (notes 14 and 22)	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.

11. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <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 (note 24)	<u>13,654</u>	<u>8,204</u>
	<u>21,877</u>	<u>20,634</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. INCOME TAX EXPENSE (CONTINUED)

Notes:

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before income tax	<u>76,807</u>	<u>86,955</u>
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	15,192	21,544
Tax effect of non-taxable income	(412)	(901)
Tax effect of non-deductible expenses	4,518	3,120
Tax effect of additional tax reduction enacted by tax authority	(1,791)	(3,129)
Tax effect of temporary differences not recognised	51	—
Tax effect of tax losses not recognised	4,319	—
Income tax expense	<u>21,877</u>	<u>20,634</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year which was adjusted to reflect the bonus element arising from the 2022 Rights Issue as set out in note 26 (2021: the weighted average number of ordinary shares in issue were represented to reflect the bonus element arising from the 2022 Rights Issue).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

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

For the year ended 31 December 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).

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

13. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. PROPERTY, PLANT AND EQUIPMENT

	Storage containers and structures	Buildings	Furniture and fixtures	Machinery	Motor vehicles	Leasehold improvements	Right-of- use assets	Construction- in-progress ("CIP")	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021									
Cost	1,467	—	1,835	100,184	8,391	4,687	32,396	107,878	256,838
Accumulated depreciation	(576)	—	(1,349)	(30,678)	(5,821)	(3,712)	(11,555)	—	(53,691)
Net carrying amount	891	—	486	69,506	2,570	975	20,841	107,878	203,147
Year ended 31 December 2021									
Opening net carrying amount	891	—	486	69,506	2,570	975	20,841	107,878	203,147
Additions	—	7,108	1,004	4,573	1,274	231	7,510	159,424	181,124
Capitalisation of borrowing costs	—	—	—	—	—	—	—	1,883	1,883
Disposals	—	—	(24)	(4,298)	(510)	(321)	(4,096)	—	(9,249)
Transfer from CIP	—	120,489	94	51,655	—	—	—	(172,238)	—
Depreciation	(66)	(1,751)	(271)	(5,756)	(740)	(457)	(4,883)	—	(13,924)
Exchange realignment	—	2,098	13	2,604	20	10	235	2,584	7,564
Closing net carrying amount	825	127,944	1,302	118,284	2,614	438	19,607	99,531	370,545
At 31 December 2021 and 1 January 2022									
Cost	1,467	129,724	2,786	147,570	8,453	3,662	30,998	99,531	424,191
Accumulated depreciation	(642)	(1,780)	(1,484)	(29,286)	(5,839)	(3,224)	(11,391)	—	(53,646)
Net carrying amount	825	127,944	1,302	118,284	2,614	438	19,607	99,531	370,545
Year ended 31 December 2022									
Opening net carrying amount	825	127,944	1,302	118,284	2,614	438	19,607	99,531	370,545
Additions	—	5,872	5,548	14,136	1,963	940	36,808	278,425	343,692
Capitalisation of borrowing costs	—	—	—	—	—	—	—	7,318	7,318
Disposals	—	—	(2)	(481)	—	—	—	(1,609)	(2,092)
Transfer from CIP	—	1,130	25	91,525	—	—	—	(92,680)	—
Depreciation	(66)	(4,039)	(787)	(22,240)	(793)	(342)	(7,679)	—	(35,946)
Government subsidies net off	—	—	—	—	—	—	(13,849)	—	(13,849)
Exchange realignment	—	(11,172)	(288)	(13,545)	(105)	(24)	(1,391)	(15,052)	(41,577)
Closing net carrying amount	759	119,735	5,798	187,679	3,679	1,012	33,496	275,933	628,091
At 31 December 2022									
Cost	1,467	125,238	7,938	235,750	9,928	4,576	44,850	275,933	705,680
Accumulated depreciation	(708)	(5,503)	(2,140)	(48,071)	(6,249)	(3,564)	(11,354)	—	(77,589)
Net carrying amount	759	119,735	5,798	187,679	3,679	1,012	33,496	275,933	628,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Leasehold land <i>HK\$'000</i>	Land use rights <i>HK\$'000</i>	Lease contracts <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	7,680	3,666	9,495	20,841
Additions	—	—	7,510	7,510
Depreciation	(300)	(196)	(4,387)	(4,883)
Disposals	—	—	(4,096)	(4,096)
Exchange realignment	—	200	35	235
At 31 December 2021 and 1 January 2022	7,380	3,670	8,557	19,607
Additions	—	28,107	8,701	36,808
Depreciation	(300)	(404)	(6,975)	(7,679)
Government subsidies net off	—	(13,849)	—	(13,849)
Exchange realignment	—	(1,226)	(165)	(1,391)
At 31 December 2022	7,080	16,298	10,118	33,496
			2022	2021
			<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities (note 10)			336	250
Expense relating to short-term leases			1,665	2,443

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. INTANGIBLE ASSETS

	Patent HK\$'000	Internal- use software HK\$'000	Development costs HK\$'000	Total HK\$'000
At 1 January 2021				
Cost	—	4,252	—	4,252
Accumulated amortisation	—	(1,701)	—	(1,701)
Net carrying amount	—	2,551	—	2,551
Year ended 31 December 2021				
Opening net carrying amount	—	2,551	—	2,551
Injection by a non-controlling interest	10,323	—	—	10,323
Amortisation	(516)	(859)	—	(1,375)
Exchange realignment	163	54	—	217
Closing net carrying amount	9,970	1,746	—	11,716
At 31 December 2021 and 1 January 2022				
Cost	10,495	4,365	—	14,860
Accumulated amortisation	(525)	(2,619)	—	(3,144)
Net carrying amount	9,970	1,746	—	11,716
Year ended 31 December 2022				
Opening net carrying amount	9,970	1,746	—	11,716
Additions	90	—	15,383	15,473
Amortisation	(1,003)	(831)	(109)	(1,943)
Exchange realignment	(824)	(117)	(619)	(1,560)
Closing net carrying amount	8,233	798	14,655	23,686
At 31 December 2022				
Cost	9,674	3,988	14,760	28,422
Accumulated amortisation	(1,441)	(3,190)	(105)	(4,736)
Net carrying amount	8,233	798	14,655	23,686

Amortisation charge of HK\$831,000 (2021: HK\$859,000) and HK\$1,112,000 (2021: HK\$516,000) have been charged in cost of revenue and administrative expenses for the year respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
As at 1 January	23,244	15,712
Gain recognised in other comprehensive income	4,381	6,998
Exchange realignment	(2,185)	534
As at 31 December	<u>25,440</u>	<u>23,244</u>

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

17. INTERESTS IN AN ASSOCIATE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	308	—
Addition to interest in an associate	—	312
Share of results of an associate	(5)	(4)
As at 31 December	<u>303</u>	<u>308</u>

Details of the Group's associate are as follows:

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

* not yet commenced operation

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For the year ended 31 December 2022

17. INTERESTS IN AN ASSOCIATE (CONTINUED)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
As at 31 December		
Current assets	767	778
Current liabilities	(9)	(9)
Net assets	758	769
Group's share of net assets of the associate	303	308
Year ended 31 December		
Revenue	—	—
Expense	(11)	(11)
Loss before income tax	(11)	(11)
Income tax expense	—	—
Loss for the year	(11)	(11)

18. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Raw materials	306,851	79,751
Work in progress	27,157	8,408
Finished goods	173,697	83,941
Other consumables	13,628	8,917
	521,333	181,017
Less: Provision for impairment of inventories	(1,914)	(1,000)
As at 31 December	519,419	180,017

The cost of inventories recognised as expense and included in cost of revenue amounted to HK\$688,498,000 (2021: HK\$259,927,000) for the year (note 7).

The write-off and provision for impairment of inventories included in cost of revenue amounted to HK\$2,360,000 (2021: HK\$305,000) (note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19. CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance lease - gross receivables (note (a))	258,291	77,216
Less: Unearned finance income	(64,011)	(19,816)
Present value of minimum lease payments	194,280	57,400
Less: Loss allowance	(636)	(224)
	193,644	57,176
Trade receivables (note (b))		
– Third parties	357,993	72,496
– Related companies (note 32(d))	15,817	11,590
	373,810	84,086
Less: Loss allowance	(2,030)	(1,273)
	371,780	82,813
Contract assets	135,009	201,691
Less: Loss allowance	(335)	(138)
	134,674	201,553
Bills receivables (note (c))	28,308	7,491
Prepayments	127,840	53,472
Value-added tax recoverable	55,835	14,256
Deposits and other receivables	4,845	4,798
	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	(105,199)	(8,308)
Current portion	628,183	352,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Notes:

(a) Finance lease receivables

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

<i>Finance lease - gross receivables</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current	17,990	6,471
Non-current	240,301	70,745
	258,291	77,216
The gross receivables of finance leases may be analysed as follows:		
– Not later than 1 year	17,990	6,471
– Later than 1 year but not later than 5 years	88,932	25,883
– Later than 5 years	151,369	44,862
	258,291	77,216
<i>Present value of minimum lease payments</i>		
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current	10,100	3,413
Non-current	183,544	53,763
	193,644	57,176
The net investment in finance leases may be analysed as follows:		
– Not later than 1 year	10,100	3,413
– Later than 1 year but not later than 5 years	57,543	16,488
– Later than 5 years	126,001	37,275
	193,644	57,176

The effective interests in respect of above finance lease contracts ranged mainly from 5.00% to 5.99% per annum as at 31 December 2022 (2021: 5.00% to 5.99%).

Details of impairment assessment of finance lease receivables for the year ended 31 December 2022 are set out in note 33(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Notes: (Continued)

(b) Trade receivables

Majority of credit period granted by the Group to its customers is 30 to 90 days (2021: 30 to 90 days), except certain customers in the PRC arising from EPC Services who have been granted with credit period of 24 months and repayable on monthly basis. Ageing analysis of the Group's trade receivables based on the invoice date was as follows:

	2022 <i>HK\$'000</i>	2021 <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
	371,780	82,813

Details of impairment assessment of trade receivables for the year ended 31 December 2022 are set out in note 33(b).

(c) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Notes: (Continued)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current		
Chinese Renminbi ("RMB")	105,199	15,764
Canadian Dollar ("CAD")	183,544	53,763
	288,743	69,527
Current		
HK\$	6,114	6,658
RMB	594,933	290,710
CAD	26,034	54,664
Others	1,102	—
	628,183	352,032
	916,926	421,559

20. CASH AND BANK BALANCES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cash at banks	161,689	433,013
Cash on hand	366	141
Cash and cash equivalents	162,055	433,154
Pledged bank deposits (note (a))	26,204	7,054
Total cash and bank balances	188,259	440,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

20. CASH AND BANK BALANCES (CONTINUED)

Notes:

- (a) Pledged bank deposits represents deposits pledged to banks to secure for the Group's bills payables (note 21).
 (b) Cash and bank balances are denominated in the following currencies:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HK\$	71,773	238,069
RMB	95,750	148,589
United States Dollar ("US\$")	6,618	3,525
CAD	13,650	50,025
Malaysian Ringgit ("MYR")	468	—
	188,259	440,208

- (c) As at 31 December 2022, the Group had cash and bank balances amounting to approximately HK\$121,311,000 (2021: HK\$151,235,000), which were held at the banks in the PRC. These cash and bank balances are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

21. CONTRACT LIABILITIES, TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables (note (a))		
– Third parties	140,284	248,991
– Related companies (note 32(d))	1,581	3,432
	141,865	252,423
Bills payables (note (b))	341,605	35,272
Contract liabilities (note (c))	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Notes:

(a) Trade payables

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

	2022 <i>HK\$'000</i>	2021 <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

(b) Bills payables

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

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

(c) Contract liabilities

As at 31 December 2022, the contract liabilities are receipt in advance that are related to sales of electric storage products, trading of forklifts, EPC Services and PV Films not yet delivered or rendered to customers.

Revenue totalled approximately HK\$21,177,000 (2021: HK\$6,145,000) was recognised in current reporting period that was included in the contract liabilities balances at the beginning of the year. Movement in contract liabilities during the years is shown as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance as at 1 January	21,972	6,097
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(21,177)	(6,145)
Increase in contract liabilities as a result of receiving payments during the year in respect of sales of electric storage products as well as trading of forklifts not yet delivered to customers as at 31 December	5,726	3,217
Increase in contract liabilities as a result of receiving payments during the year in respect of provision of EPC Services not yet rendered to customers as at 31 December	37,660	18,604
Increase in contract liabilities as a result of receiving payments during the year in respect of sales of PV Films not yet delivered to customers as at 31 December	90	—
Exchange realignment	(2,619)	199
Balance as at 31 December	41,652	21,972

Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations as of 31 December 2022 will be recognised as revenue during the next reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Notes: (Continued)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HK\$	8,829	8,331
CAD	19,780	6,691
RMB	745,564	399,636
	774,173	414,658

22. LEASE LIABILITIES

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current	5,804	5,564
Non-current	4,431	3,139
	10,235	8,703

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
As at 1 January	8,703	9,890
Additions	8,701	7,510
Interest expenses	336	250
Interest element of lease payment	(336)	(250)
Capital element of lease payment	(6,997)	(4,339)
Disposals	—	(4,397)
COVID-19-related rent concessions (note)	(48)	—
Exchange realignment	(124)	39
As at 31 December	10,235	8,703

Note:

For the year ended 31 December 2022, the Group received rent concessions in the form of rent forgiveness from lessors as reductions in rent contractually due under the terms of lease agreement. The Group elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year ended 31 December 2022 satisfied the criteria to apply the practical expedient. The application of the practical expedient resulted in the reduction of total lease liabilities of HK\$48,000 (2021: Nil). The effect of this reduction was recorded in profit or loss in the period in which the event or condition that triggered those payments occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. LEASE LIABILITIES (CONTINUED)

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

	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
As at 31 December 2022			
Not later than one year	6,098	(294)	5,804
Later than one year but not later than five years	4,434	(3)	4,431
	<u>10,532</u>	<u>(297)</u>	<u>10,235</u>
As at 31 December 2021			
Not later than one year	5,788	(224)	5,564
Later than one year but not later than five years	3,219	(80)	3,139
	<u>9,007</u>	<u>(304)</u>	<u>8,703</u>

23. BANK BORROWINGS

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

	2022 <i>HK\$'000</i>	2021 <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>

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For the year ended 31 December 2022

23. BANK BORROWINGS (CONTINUED)

At 31 December 2022, the carrying amounts of the bank borrowings are denominated in the following currencies:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HK\$	80,000	105,000
CAD	169,628	122,343
RMB	89,396	—
	339,024	227,343

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. The bank borrowings were carried at floating rates ranged from 5.8% to 6.4% per annum (2021: 1.7% to 2.0% per annum). The remaining RMB-denominated loan of approximately HK\$89,396,000 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.

24. DEFERRED INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deferred tax assets to be recovered after more than 12 months	1,303	1,311
Deferred tax liabilities to be settled after more than 12 months	(23,567)	(10,584)
Deferred tax liabilities, net	(22,264)	(9,273)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
As at 1 January	(9,273)	(73)
Charged to profit or loss (note 11)	(13,654)	(8,204)
Charged to other comprehensive income	(657)	(1,050)
Exchange realignment	1,320	54
As at 31 December	(22,264)	(9,273)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24. DEFERRED INCOME TAX (CONTINUED)

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

Deferred tax assets

	Provision <i>HK\$'000</i>	Decelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2021	1,680	608	2,288
Charged to profit or loss	(1,004)	—	(1,004)
Exchange realignment	11	16	27
At 31 December 2021 and 1 January 2022	687	624	1,311
Credited to profit or loss	55	—	55
Exchange realignment	(9)	(54)	(63)
As at 31 December 2022	733	570	1,303

Deferred tax assets are recognised for tax loss carried forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of approximately HK\$6,128,000 (2021: HK\$2,461,000) in respect of tax losses amounting to approximately HK\$24,512,000 (2021: HK\$9,843,000) at 31 December 2022 that can be carried forward against future taxable income. These tax losses will expire between 2023 and 2027 (2021: expire between 2022 and 2026).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24. DEFERRED INCOME TAX (CONTINUED)

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

Deferred tax liabilities

	Accelerated tax depreciation HK\$'000	Finance lease income HK\$'000	Accumulated gains on a financial asset at FVOCI HK\$'000	Total HK\$'000
As at 1 January 2021	(429)	—	(1,932)	(2,361)
Credited/(charged) to profit or loss	357	(7,557)	—	(7,200)
Charged to other comprehensive income	—	—	(1,050)	(1,050)
Exchange realignment	(3)	98	(68)	27
At 31 December 2021 and 1 January 2022	(75)	(7,459)	(3,050)	(10,584)
Charged to profit or loss	—	(13,709)	—	(13,709)
Charged to other comprehensive income	—	—	(657)	(657)
Exchange realignment	2	1,091	290	1,383
As at 31 December 2022	(73)	(20,077)	(3,417)	(23,567)

Deferred tax liabilities of HK\$7,592,000 (2021: HK\$7,066,000) have not been recognised for withholding tax that would be payable on the undistributed distributable reserves amounting to HK\$151,832,000 (2021: HK\$141,319,000) of the Company's subsidiaries in the PRC earned after 1 January 2008 using a 5% (2021: 5%) withholding tax rate. Such amounts are not intended to be distributed in the foreseeable future to the group companies outside of the PRC.

25. SHARE CAPITAL

	2022		2021	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	2,000,000,000,000	20,000,000	2,000,000,000,000	20,000,000
Issued and fully paid:				
As at 1 January	713,303,188.38	7,133	648,218,651.38	6,482
Issue of new ordinary shares by 2022 Rights Issue/2021 Rights Issue (note 26)	71,367,861	714	64,845,744	649
Issue of ordinary shares upon exercise of share options (note 29)	421,833	4	238,793	2
As at 31 December	785,092,882.38	7,851	713,303,188.38	7,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

26. RIGHTS ISSUES

For the year ended 31 December 2022, the Group raised a total net proceeds of approximately HK\$393,201,000 on the basis of one (1) rights share for every ten (10) ordinary shares of the Company held on 18 August 2022 (i.e. the record date) by issuing 71,367,861 rights shares at the subscription price of HK\$5.52 per rights share to the qualified shareholders of the Company (the "2022 Rights Issue"). The number of ordinary shares of the Company increased to 785,046,478.38 after the 2022 Rights Issue.

For the year ended 31 December 2021, the Group raised a total net proceeds of approximately HK\$228,106,000 on the basis of one (1) rights share for every ten (10) ordinary shares of the Company held on 22 November 2021 (i.e. the record date) by issuing 64,845,744 rights shares at the subscription price of HK\$3.53 per rights share to the qualified shareholders of the Company (the "2021 Rights Issue"). The number of ordinary shares of the Company increased to 713,303,188.38 after the 2021 Rights Issue.

27. OTHER RESERVES

(a) Capital reserves

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

(b) Share premium

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

(c) Statutory reserves

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

During the year ended 31 December 2022, the respective board of directors of certain PRC subsidiaries of the Group resolved to appropriate approximately HK\$5,335,000 (2021: HK\$4,461,000) from retained profits to statutory reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

28. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		73,563	69,873
Current assets			
Prepayments and deposits		274	270
Amounts due from subsidiaries		865,128	245,799
Cash and cash equivalents		1,311	229,629
		866,713	475,698
Current liabilities			
Other payables and accruals		1,775	1,575
Net current assets		864,938	474,123
Net assets		938,501	543,996
EQUITY			
Share capital	25	7,851	7,133
Reserves (note)		930,650	536,863
Total equity		938,501	543,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Note:

	Share premium <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Share-based payments reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2021	300,744	13,487	581	(5,668)	309,144
Loss and total comprehensive income for the year	—	—	—	(2,799)	(2,799)
Transactions with owners					
2021 Rights Issue (note 26)	227,457	—	—	—	227,457
Employees share option scheme:					
– proceed from issue of shares	569	—	(139)	—	430
– share-based payment expense	—	—	2,699	—	2,699
– adjustment relating to forfeiture of share options	—	—	(68)	—	(68)
At 31 December 2021 and 1 January 2022	528,770	13,487	3,073	(8,467)	536,863
Loss and total comprehensive income for the year	—	—	—	(2,961)	(2,961)
Transactions with owners					
2022 Rights Issue (note 26)	392,487	—	—	—	392,487
Employees share option scheme:					
– proceed from issue of shares	737	—	(166)	—	571
– share-based payment expense	—	—	3,690	—	3,690
– adjustment relating to forfeiture of share options	—	—	(6)	6	—
At 31 December 2022	921,994	13,487	6,591	(11,422)	930,650

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For the year ended 31 December 2022

29. SHARE-BASED PAYMENTS

Share option scheme established in 2017

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

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

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

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

	2022		2021	
	Average exercise price in HK\$ per share	Options (unit)	Average exercise price in HK\$ per share	Options (unit)
As at 1 January	2.28	13,056,625	1.97	11,766,982
Adjustment upon the rights issue	2.85	231,023	2.29	193,659
Granted	5.58	4,600,000	4.80	1,590,000
Exercised	1.35	(421,833)	1.81	(238,793)
Forfeited	2.36	(1,402,992)	2.09	(255,223)
Cancelled	6.80	(1,500,000)	—	—
As at 31 December	2.86	14,562,823	2.28	13,056,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

29. SHARE-BASED PAYMENTS (CONTINUED)

Share option scheme established in 2017 (Continued)

On 1 August 2017, 312,000 share options were granted to the then chief executive officer of the Company, two executive directors of the Company and certain employees of the Group. The exercise price is HK\$1.56 per share, which is equal to the average closing price of the Company's share for the five business days immediately preceding the date of grant. The validity period of the options is from 1 August 2017 to 31 July 2021. One-third of the options will vest on each of the year-end date of 2017, 2018 and 2019 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2020 to 31 March 2021.

On 13 August 2018, 684,000 share options were granted to the then chief executive officer of the Company, two executive directors of the Company and certain employees of the Group. The exercise price is HK\$1.95 per share, which is equal to the average closing price of the Company's share for the five business days immediately preceding the date of grant. The validity period of the options is from 13 August 2018 to 31 March 2022. One third of the options will vest on each of the year-end date of 2018, 2019 and 2020 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2021 to 31 March 2022.

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

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

On 18 December 2020, 10,300,000 share options were granted to certain employees of the Group. The exercise price is HK\$2.04 per share, which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 18 December 2020 to 31 March 2025. One third of the options will vest on each of the year-end date of 2021, 2022 and 2023 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2024 to 31 March 2025.

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

On 11 May 2022, 1,600,000 share options were granted to an executive director of the Company, the then chief executive office of the Company and certain employees of the Group. The exercise price is HK\$3.91 per share, which is equal to the average closing price of the Company's share for the five business days immediately preceding the date of grant. The validity period of the options is from 11 May 2022 to 31 March 2026. One third of the options will vest on each of the year-end date of 2022, 2023 and 2024 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2025 to 31 March 2026.

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For the year ended 31 December 2022

29. SHARE-BASED PAYMENTS (CONTINUED)

Share option scheme established in 2017 (Continued)

On 25 August 2022, 1,500,000 share options were granted to the chief executive officer of the Company. The exercise price is HK\$6.31 per share, which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 25 August 2022 to 31 March 2026. One third of the options will vest on each of the year-end date of 2022, 2023 and 2024 if each grantee has met the conditions of vesting as stated in the letter of grant. The options can be exercised from 1 April 2025 to 31 March 2026.

Out of the above outstanding share options, 88,010 options were exercisable as at 31 December 2022 (2021: 116,985).

These outstanding share options as at 31 December 2022 have the following expiry dates and exercise prices:

Expiry date	Average exercise price in HK\$ per share	2022 Units	Average exercise price in HK\$ per share	2021 Units
31 March 2022	N/A	—	1.92	116,985
31 March 2023	1.14	88,010	1.15	447,568
31 March 2024	1.36	409,071	1.38	473,651
31 March 2025	2.32	10,998,297	2.37	12,018,421
31 March 2026	5.02	3,067,445	N/A	—
		14,562,823		13,056,625

The weighted average fair values of these options granted on 11 May 2022 and 25 August 2022 were determined using the Binominal Tree valuation model, which were performed by an independent valuer, Greater China Appraisal Limited, and were approximately HK\$1.79 and HK\$3.00 (2021: HK\$1.67) per option respectively. The significant inputs into the model are as follows:

Grant date	25 August 2022	11 May 2022	11 May 2021
Closing share price, at the grant date (HK\$)	6.31	3.90	4.45
Exercise price (HK\$)	6.31	3.91	4.80
Volatility (%)	63.14%	58.68%	52.55%
Dividend yield (%)	0.00%	0.00%	0.00%
Expected share option life (years)	3.60	3.89	3.89
Annual risk-free interest rate	2.96%	2.61%	0.41%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year.

For the year ended 31 December 2022, share-based compensation expense of HK\$3,690,000 (2021: HK\$2,699,000) were recognised in the profit or loss for share options granted under the Share Option Scheme 2017 to the directors and employees of the Group.

For the year ended 31 December 2022, 18,561 (2021: 12,356) vested share options which were granted to an employee were forfeited and the corresponding share-based compensation expense of HK\$6,000 (2021: HK\$6,000) was transferred from share-based payments reserve to retained profits.

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30. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2022 are as follows:

Company name	Place of incorporation/ registration and kind of legal entity	Particulars of issued and paid-up share capital	Effective equity interest held by the Company		Principal activities/ Place of operation
			2022	2021	
Indirectly owned					
Xinyi Automobile Glass Company Limited	Hong Kong, limited liability company	Ordinary share of HK\$100,000	100%	100%	Automobile glass repair and replacement services, Hong Kong
Champion Goal Investments Limited	Hong Kong, limited liability company	Ordinary share of HK\$1	100%	100%	Investment holding, Hong Kong
Auhui Xinyi Power Source Company Limited* (安徽信義電源有限公司)	The PRC, sino- foreign equity joint ventures	Registered capital of RMB100,000,000 & paid-up capital of RMB50,000,000	100%	100%	Research, production and sales of electric storage products, trading of forklift and investment holding, the PRC
Xinyi Energy Storage Micro-grid Research Institute (Dongguan) Company Limited* (信義儲能微電網研究院 (東莞)有限公司)	The PRC, limited liability company	Registered capital of RMB20,000,000 & paid-up capital of RMB1,800,000	100%	100%	Energy storage system development, the PRC
Auhui Xinyi Renewable Energy Technology Co. Ltd* (安徽信義新能源科技 有限公司) (formerly known as Wuwei Xinyi Wind Power Company Limited* (無為信義風能有限公司))	The PRC, wholly foreign owned enterprise	Registered capital of RMB50,000,000 & paid-up capital of RMB50,000	100%	100%	Wind power facility development, the PRC
Mengcheng Xinyi Wind Power Company Limited* (蒙城信義風能有限公司)	The PRC, wholly foreign owned enterprise	Registered capital of RMB50,000 & no paid-up capital	100%	100%	Wind power facility development, the PRC
Xinyi Power (Suzhou) Company Limited* (信義電源(蘇州)有限公司)	The PRC, wholly foreign owned enterprise	Registered capital & paid-up capital of US\$37,000,000	100%	100%	Research, production and sales of electric storage products, provision of EPC Services and trading of forklift, the PRC

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For the year ended 31 December 2022

30. INTERESTS IN SUBSIDIARIES (CONTINUED)

Company name	Place of incorporation/ registration and kind of legal entity	Particulars of issued and paid-up share capital	Effective equity interest held by the Company		Principal activities/ Place of operation
			2022	2021	
Xinyi Energy Investment (Suzhou) Company Limited* (信義能源投資(蘇州)有限公司)	The PRC, wholly foreign owned enterprise	Registered capital of US\$30,000,000 & paid-up capital of US\$29,520,674	100%	100%	Investment holding, the PRC
Xinyi Electric Storage (Shenzhen) Co. Ltd* (信義儲電(深圳)有限公司)	The PRC, wholly foreign owned enterprise	Registered capital of RMB30,000,000 & paid-up capital of RMB27,998,310 (2021: RMB16,600,000)	68%	68%	Research and sales of electric storage products, the PRC
Polaron Energy Corp.	Canada, limited liability company	CAD1,000	68%	68%	Provision of solar power systems, Canada
Xinyi Renewable Energy Materials (Malaysia) Sdn. Bhd.**	Malaysia, limited liability company	MYR2,500,000	100%	—	Production and sales of PV Films
Auhui Xinyi New Material Technology Co. Ltd* (安徽信義新能源材料 有限公司)#	The PRC, wholly foreign owned enterprise	Registered capital & paid-up capital of RMB180,000,000	100%	—	Production and sales of PV Films

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

** This subsidiary was registered on 7 April 2022.

This subsidiary was registered on 5 January 2022.

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31. COMMITMENTS

Capital commitments

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

	2022 HK\$'000	2021 HK\$'000
Contracted but not provided for in respect of		
– Construction of production plant and purchase of construction materials/property, plant and equipment	<u>66,007</u>	<u>39,706</u>

32. RELATED PARTY TRANSACTIONS

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

As at 31 December 2022, the Group is controlled by Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M, D.M.S.M, J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung acting in concert, (collectively as the “controlling shareholders”) which in aggregate owns 72.80% (2021: 71.21%) of the Company’s shares.

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

(a) Name and relationship with related parties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	Notes	2022 HK\$'000	2021 HK\$'000
Related party transactions with subsidiaries of Xinyi Glass			
– Purchase of automobile glass	(i)	6,929	6,321
– Purchase of other glasses	(i)	—	23
– Purchase of consumables	(i)	1,719	478
– Sales of forklift battery chargers	(i)	—	251
– Sales of electric storage products	(i)	6,548	5,867
– Management fee received	(ii)	9,338	9,647
– Operating lease payments in respect of office premises paid	(i)	310	316
– Purchase of steam	(i)	2,199	2,252
– Operating lease income in respect of office premises received	(i)	836	751
– Sales of fixed assets and consumables	(i)	693	50
Related party transactions with subsidiaries of Xinyi Solar			
– Sales of forklift battery chargers	(i)	—	507
– Sales of electric storage products	(i)	14,368	202
– Electricity expenses paid	(i)	—	226
– Operating lease income in respect of office premises received	(i)	33	55
– Operating and maintenance fee income received	(i)	2,634	2,040
– Sales of consumables	(i)	6	6
Related party transactions with entities controlled by a controlling party			
– Operating lease payments in respect of office premises received	(i)	—	21
– Sales of consumables	(i)	—	20
– Sales of electric storage products	(i)	37	—
Related party transactions with Mr. LEE and Mr. TUNG Fong Ngai			
– Operating lease payments in respect of shop premises paid	(i)	540	540

Notes:

- (i) Purchase of automobile glass, other glasses, steam and consumables, sales of forklift battery chargers and consumables, sales of electric storage products, fixed assets and consumables, operating and maintenance fee income, operating lease income and payments and electricity expenses are paid/received with price and terms mutually agreed with related parties.
- (ii) Management fee represented service fee of managing wind farm in the PRC, which is mutually agreed with a subsidiary of Xinyi Glass.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensations

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

	2022 HK\$'000	2021 HK\$'000
Wages and salaries	5,433	4,881
Bonus	3,132	1,874
Share-based compensation	1,458	341
Pension costs – defined contribution scheme	121	80
	10,144	7,176

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

	2022 HK\$'000	2021 HK\$'000
Trade		
Trade receivables due from subsidiaries of Xinyi Glass	12,323	9,582
Trade receivables due from subsidiaries of Xinyi Solar	3,494	2,008
Trade payables due to subsidiaries of Xinyi Glass	(1,581)	(3,432)
Contract liabilities due to subsidiaries of Xinyi Solar	—	(2,090)
Non-trade		
Other receivables due from a subsidiary of Xinyi Glass	1	81
Other payables due to subsidiaries of Xinyi Glass	(137)	—
Other payables due to subsidiaries of Xinyi Solar	(1,018)	—

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(a) Foreign exchange risk

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

As at 31 December 2022, bank borrowings held by a Hong Kong subsidiary, whose functional currency is HK\$, were denominated in CAD ("CAD-denominated bank borrowings") and RMB ("RMB-denominated bank borrowings"). If HK\$ has weakened/strengthened by 5% against CAD and RMB, with all other variables held constant, the profit before tax for the year would have been approximately HK\$12,951,000 (2021: HK\$6,117,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of CAD-denominated bank borrowings and RMB-denominated bank borrowings.

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

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

(b) Credit risk

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract assets, finance lease receivables and trade and other receivables (excluding prepayments and value-added tax recoverable) (note 19)	733,251	353,831
Pledged bank deposits (note 20)	26,204	7,054
Cash at banks (note 20)	161,689	433,013
Maximum exposure to credit risk	<u>921,144</u>	<u>793,898</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Credit risk (Continued)

As at 31 December 2022, all the bank deposits were deposited with reputable banks in Hong Kong, the PRC, Canada and Malaysia. The credit quality of cash and bank balances has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

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

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

As at 31 December 2022, receivables from the top five customers accounted for approximately 35% (2021: 19%) of the Group's trade receivables and finance lease receivables. In order to minimise the credit risk, the management of the Group has delegated different teams of respective business responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts for trade receivables.

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

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

For finance lease receivables and trade receivables relating to accounts which are long overdue with known insolvencies or non-response to collection activities, if any, they are assessed individually for loss allowance. Accordingly, no specific loss allowance was made during the year ended 31 December 2022 (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Credit risk (Continued)

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

	Current	1 – 90 days	91 – 180 days	181 – 365 days	Over 365 days	Total
As at 31 December 2022						
Expected loss rate (%)	0.31%	0.27%	0.20%	0.08%	92.49%	
Gross carrying amount (HK\$'000)	665,479	30,163	6,345	167	945	703,099
Loss allowance (HK\$'000)	2,032	82	13	—	874	3,001
As at 31 December 2021						
Expected loss rate (%)	0.16%	0.31%	0.42%	1.81%	70.28%	
Gross carrying amount (HK\$'000)	315,308	21,059	4,513	830	1,467	343,177
Loss allowance (HK\$'000)	506	64	19	15	1,031	1,635

The closing loss allowance for contract assets, finance lease receivables and trade receivables as at 31 December 2022 reconcile to the opening loss allowance is as follows:

	2022 HK\$'000	2021 HK\$'000
Opening loss allowance as at 1 January	1,635	906
Increase in loss allowance recognised in profit or loss during the year	1,563	702
Exchange realignment	(197)	27
Closing loss allowance as at 31 December	3,001	1,635

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(c) Liquidity risk

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

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

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

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand or within one year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
As at 31 December 2022					
Trade payables	141,865	141,865	141,865	—	—
Bills payables	341,605	341,605	341,605	—	—
Accrued salaries and bonus	19,211	19,211	19,211	—	—
Other payables for purchase of property, plant and equipment	65,602	65,602	65,602	—	—
Other creditors and accruals	14,264	14,264	14,264	—	—
Bank borrowings	339,024	355,558	218,767	100,652	36,139
Lease liabilities	10,235	10,532	6,098	4,434	—
	931,806	948,637	807,412	105,086	36,139
As at 31 December 2021					
Trade payables	252,423	252,423	252,423	—	—
Bills payables	35,272	35,272	35,272	—	—
Accrued salaries and bonus	17,483	17,483	17,483	—	—
Other payables for purchase of property, plant and equipment	51,338	51,338	51,338	—	—
Other creditors and accruals	8,987	8,987	8,987	—	—
Bank borrowings	227,343	230,972	107,101	69,829	54,042
Lease liabilities	8,703	9,007	5,788	2,742	477
	601,549	605,482	478,392	72,571	54,519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(d) Fair value measurement

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

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

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

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2022				
Financial asset at FVOCI	—	—	25,440	25,440
As at 31 December 2021				
Financial asset at FVOCI	—	—	23,244	23,244

As at 31 December 2022 and 2021, instruments included in level 3 represent unlisted equity interest, which was classified as financial asset at FVOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(d) Fair value measurement (Continued)

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

Valuation technique	Significant unobservable inputs	Range of inputs	Favourable/(Unfavourable) change to the fair value	
			2022 HK\$'000	2021 HK\$'000
Discounted cash flows approach (note)	Electricity outputs	+/-5%	<u>2,548/(2,539)</u>	<u>2,356/(1,727)</u>
	Operating expenses	+/-5%	<u>(1,016)/1,016</u>	<u>(193)/193</u>
	Discount rate	+/-1%	<u>(285)/288</u>	<u>(283)/285</u>

Note:

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

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

Unlisted equity investments

	2022 HK\$'000	2021 HK\$'000
Balance as at 1 January	23,244	15,712
Change in fair value recognised in other comprehensive income	4,381	6,998
Exchange realignment	(2,185)	534
Balance as at 31 December	<u>25,440</u>	<u>23,244</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(e) Categories of financial assets and liabilities

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

	2022 Carrying amount HK\$'000	2022 Fair value HK\$'000	2021 Carrying amount HK\$'000	2021 Fair value HK\$'000
Financial assets				
Financial asset at FVOCI	25,440	25,440	23,244	23,244
At amortised cost:				
– Contract assets	134,674	134,674	201,553	201,553
– Finance lease receivables	193,644	193,644	57,176	57,176
– Trade receivables	371,780	371,780	82,813	82,813
– Bills receivables	28,308	28,308	7,491	7,491
– Deposits and other receivables	4,845	4,845	4,798	4,798
– Pledged bank deposits	26,204	26,204	7,054	7,054
– Cash and cash equivalents	162,055	162,055	433,154	433,154
	946,950	946,950	817,283	817,283
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Trade payables	141,865	141,865	252,423	252,423
– Bills payables	341,605	341,605	35,272	35,272
– Accrued salaries and bonus	19,211	19,211	17,483	17,483
– Other payables for purchase of property, plant and equipment	65,602	65,602	51,338	51,338
– Other creditors and accruals	14,264	14,264	8,987	8,987
– Bank borrowings	339,024	339,024	227,343	227,343
– Lease liabilities	10,235	10,235	8,703	8,703
	931,806	931,806	601,549	601,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

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

(b) Reconciliation of liabilities arising from financing activities

	Bank borrowings HK\$'000 (note 23)	Lease liabilities HK\$'000 (note 22)	Total HK\$'000
At 1 January 2021	8,000	9,890	17,890
Proceeds from bank borrowings	277,456	—	277,456
Repayments of bank borrowings	(58,113)	—	(58,113)
Repayments of capital element of lease liabilities	—	(4,339)	(4,339)
Total changes from financing cash flows	219,343	(4,339)	215,004
Other changes:			
Exchange realignment	—	39	39
Additions	—	7,510	7,510
Disposals	—	(4,397)	(4,397)
At 31 December 2021 and 1 January 2022	227,343	8,703	236,046
Proceeds from bank borrowings	424,383	—	424,383
Repayments of bank borrowings	(312,702)	—	(312,702)
Repayments of capital element of lease liabilities	—	(6,997)	(6,997)
Total changes from financing cash flows	111,681	(6,997)	104,684
Other changes:			
Exchange realignment	—	(124)	(124)
Additions	—	8,701	8,701
COVID-19-related rent concessions	—	(48)	(48)
At 31 December 2022	339,024	10,235	349,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

35. CAPITAL MANAGEMENT

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

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank borrowings	339,024	227,343
Less: Cash and cash equivalents	<u>(162,055)</u>	<u>(433,154)</u>
Net debt	176,969	(205,811)
Total equity	<u>1,150,490</u>	<u>769,334</u>
Gearing ratio	<u>15.4%</u>	<u>N/A</u>

FINANCIAL SUMMARY

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

	Year ended 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
RESULTS					
Revenue	1,066,247	506,187	218,134	202,882	170,428
Cost of revenue	(900,916)	(380,048)	(167,417)	(152,847)	(124,424)
Gross profit	165,331	126,139	50,717	50,035	46,004
Profit before income tax	76,807	86,955	24,207	28,171	73,462
Income tax expense	(21,877)	(20,634)	(4,122)	(3,149)	(14,366)
Profit for the year	54,930	66,321	20,085	25,022	59,096
Profit for the years attributable to:					
– owners of the Company	45,898	62,629	19,921	25,022	59,096
– non-controlling interests	9,032	3,692	164	—	—
	54,930	66,321	20,085	25,022	59,096
ASSETS AND LIABILITIES					
Total assets	2,303,996	1,448,071	555,559	493,762	445,156
Total liabilities	(1,153,506)	(678,737)	(113,080)	(97,963)	(68,682)
	1,150,490	769,334	442,479	395,799	376,474
Equity attributable to owners of the Company	1,127,113	753,966	442,308	395,799	376,474
Non-controlling interests	23,377	15,368	171	—	—
Total equity	1,150,490	769,334	442,479	395,799	376,474